

# THE MAGAZINE OF WALL STREET

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NOVEMBER 26, 1932

## Market Approaches Buying Level

By A. T. MILLER

## How a Billion Can Be Cut from the Budget

By JOHN D. C. WELDON

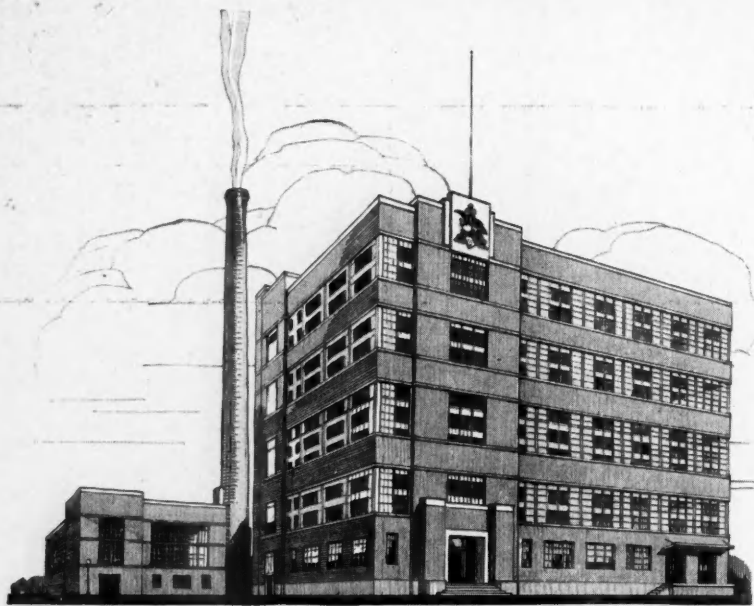
## Opportunities in Merchandising Stocks

By ARTHUR L. VAN HORNE

*G. Wyckoff*  
PUBLISHER

VOL. 51 — No. 3

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That a great deal of uncertainty surrounds the securities markets at the present time is evidenced by the lack of trading volume. We are now at a critical period, with a new Administration soon to take office and Congress facing a number of difficult problems. Some investors may look upon this as one of the "black periods" — while others may regard it as a buying opportunity. Our clients, however, are not faced with this uncertainty. They have assurance in the knowledge that they will be kept informed continually of developments which may affect their holdings. They know that they will be advised of any action necessary to avoid losses and accept profits.

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Vol. 51 No. 3

November 26, 1932

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## WITH THE EDITORS



# Charts and Forecasting

RECORDS are available which show the political complexion of each state in the Union for every Presidential election for many years back. Various maps were published in the recent campaign which graphically showed this record. Yet it is a fair assumption that no political observer based his prognostications as to the outcome of the election just passed on any such data.

Such a record of past performance might be used as an adjunct to surveys, polls and other observations, but obviously no valid general conclusions for 1932 could have been based solely on what happened in 1928, 1924, 1896 or any other year. The reason is self-evident. Everyone knows that new conditions, new personalities, new issues, are bound to produce an outcome totally independent of what has occurred in the past.

But such reasoning unfortunately does not embrace that class of stock market forecasters who base their judgment on charts. The analogy for them does not exist. The record of past performance is taken as the measure of the

future and in these days when technical market considerations are of major importance the chart has increased in numbers enormously. To the chart addict his graphs are infallible guides, to his followers he is sometimes uncannily prescient—for a time—then the denouement.

The trouble, of course, is not with charts which may prove valuable tools in market operations but in making them the sole basis of judgment. It is true that by the direction or trend of its curves or their formation a chart can be indicative of future action. Upon proper interpretation it may give evidence of accumulation, distribution and logical points of resistance. In these respects it may be highly utilitarian in studying the technical position of the market as a whole or of individual stocks. But what the chart, any chart, cannot do is to give effect to the future composite fears, hopes and judgment of the thousands of individuals whose mass opinion in the last analysis makes prices. And it is the proper appraisal of the human element which is the essence of successful forecasting.

Many other considerations, of course, enter into it, some apparently remote in character but which, in relation to one another, bear on a general background of fundamentals. Others more immediate, bear on the course of industry and trade and on the profit and earning position of various industries and companies. Still another group of considerations embrace technical factors having to do with the market's behavior and the evaluation of its internal strength or weakness as determined by volume, character of buying or selling, manipulative influences, sponsorship and a host of other variables.

All of these, however, must be weighed in the light of their probable interpretation by the multitude of individual minds of the present or prospective participants in the market. The human factor transcends all others in importance in the business of market forecasting, as it does in every other line of endeavor.

Any system, habit of thought, chart or other historical record which does not accord it this importance is doomed to failure.

## In The Next Issue

### Cancellation—Repudiation—Revision

What the War Debts Settlement Means to Your 1933 Income

By JOHN D. C. WELDON

### Low Priced Stocks for Price Appreciation

Specially selected by THE MAGAZINE OF WALL STREET Staff

### Studies in Stock Speculation

Beginning a New Series of Practical and Profitable Articles

By FREDERICK K. DODGE

# Long Distance helps refrigerator company increase sales for 18 months consecutively



*In one country-wide drive, Norge Corporation sells five trainloads, valued at \$1,500,000*

CERTAIN COMPANIES today are forging steadily ahead. Almost invariably, they are consistent users of Long Distance. They find it an effective and economical way of meeting changed conditions . . . increased use of the service resulting not only in stimulated business but in lowered general costs as well.

The use of Long Distance by the Norge Corporation is typical of that made by other successful companies, large and small. *"Today, more than ever, we frankly recognize the value of Long Distance,"* says Howard E. Blood, President of the Company. *"The savings it effects, and the results it achieves, make it one of our most profitable business tools."*

"For example, one country-wide drive, which was conducted largely by Long Distance, resulted in the sale of five trainloads of refrigerators, valued at \$1,500,000. We recently reported the eighteenth consecutive monthly increase in sales, and for the first half of 1932 our volume of business was substantially the same as for the entire

year of 1931. Unquestionably, this reflects our consistent use of that most expedient tool, the telephone."

Almost constant telephone contact is maintained between headquarters of the company in Detroit, district managers at various points, and distributors and salesmen throughout the country. Executives cover the country in minutes, without leaving their desks. Through frequent and consistent use of Long Distance, they transact business at large savings in time and money.

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Atlanta	Chicago	2.35	1.95	1.30
Los Angeles	Denver	3.25	2.65	1.75
St. Louis	Seattle	6.50	5.25	3.75

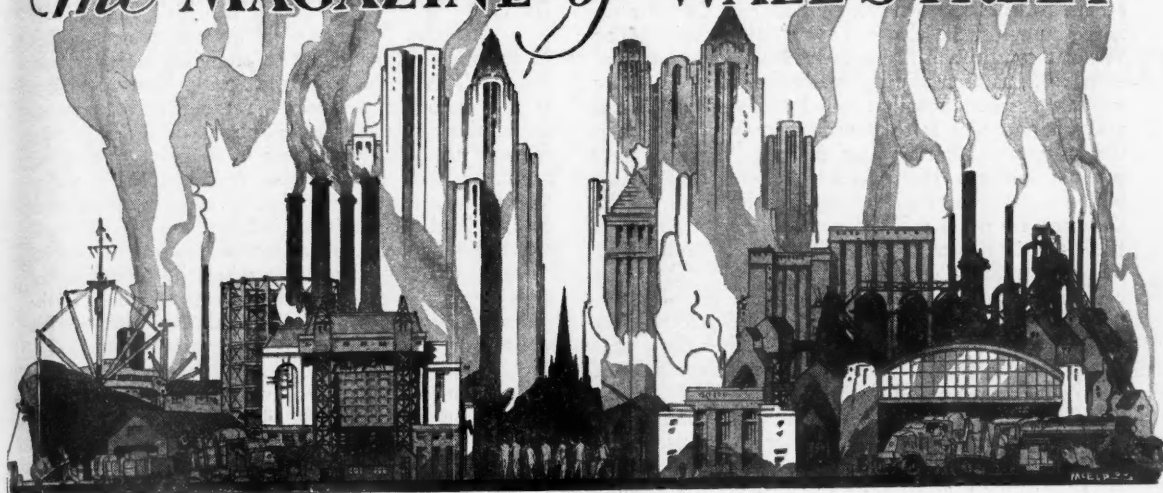
Where the charge is 50c or more, federal tax applies

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TELEPHONE BUSINESS OFFICE

# The MAGAZINE of WALL STREET



E. Kenneth Burger  
Managing Editor

C. G. Wyckoff  
Publisher

Theodore M. Knappen  
Associate Editor

## The Trend of Events

- A Respite from Politics
- Germany at the Decision
- How Much from Beer?
- Motors in 1933
- The New Style Investor
- The Market Prospect

**A RESPITE FROM POLITICS** EVERY new total increases the Roosevelt majority. It begins to approach seven millions. It is an all-time record. It registers a popular rather than a partisan victory. No narrow group can claim the credit of victory and, therefore, demand the spoils. Except as the President-elect may have made personal pledges before election he is under binding obligations to no particular faction or interest. One blessed consequence is that the Republican insurgents are now ousted from the manger. To whatever extent they contributed to the Roosevelt victory they dug their own grave. The Democratic majorities in the next Congress are so large that the irresponsible and nebulous third party has been obliterated. We have returned to bi-partisan rule, to responsible rule. President Roosevelt and his party can put through

any policy they determine upon. If they fail the responsibility is solely theirs.

While the outcome of the elections has given us a free President-to-be it has also freed President Hoover. He can serve his remaining three months without fear or favor. He can use that independence for the national good in many ways, but in no way so helpfully as by telling the Congress and the Nation the truth about the fiscal situation and its momentous implications, and demanding that the national legislators face it boldly. Like everybody else in authority, he has hitherto failed to expose and denounce the engulfment of national finances in the spreading economic and moral morass of pension expenditures. He can now do that, sternly demand a four or five hundred million reduction of unearned pensions, advise the reduction of government salaries to the level of private payrolls and otherwise demonstrate that the budget for next year can be balanced. He can make the forthcoming budget message his greatest.

**GERMANY AT THE DECISION** GERMANY is getting ripe for the man-on-horseback. The plan to govern the country by presidential autocracy in defiance of an overwhelmingly hostile parliament has come to grief. The ruthless von Papen has given up, and the puzzle of how to rule a country that will not rule itself is up for another solution. Parliament will not rule

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS  
1907—"Over Twenty-Four Years of Service"—1932

because it can not unify itself. The authoritarian government can not longer rule by deferring the ultimate issue through futile elections every few months. The Weimar constitution is due to be smashed as a fiction, even as it has been already smashed in fact. If Hitler and his Fascists prevail it will be done for. If the authoritarian idea is to prevail there will be a coup d'etat, even though no shot is fired. Even a compromise between Hitler and President Hindenburg will not save the republic beyond the name. The Germans are not a political people. As revolutionists they are a failure. They like forceful authority. Where the army goes they will follow. The army can support any dictatorship, and to it any dictatorship is better than democratic chaos. One can safely predict, as predictions go in these erratic days, that by hook or by crook Germany will soon submit to some sort of dictatorship and docilely.

While the political situation nears a definitive decision the German economic position improves. Reparations is considered a dead issue, regardless of the outcome of the negotiations over the debts of the Allies to the United States. The banking position appears stronger, but large incomes have shrunk, savings are lower and new capital scarce. Employment increases.

The recently announced Franco-British-German consortium gives some promise of renewed Franco-German economic co-operation. While the proposed reconstruction of the railways of Poland, Rumania, Irak and Portugal under the financing and direction of an intergovernmental corporation, promises relief for those countries its chief significance is in the fact of co-operation between Germany and France in the economic field. A great hope for European recovery and stabilization lies in that field. When France gets ready to finance economics instead of politics Europe will move forward. The franc dominates Europe even more than the French army.

**HOW MUCH FROM BEER?** FROM the abundant evidence available on all sides one would imagine that a gullible public has jumped to the conclusion that the prospective early legalization of beer will go far toward solving all human difficulties. Loose estimates of Federal "beer revenues" ranging up to \$750,000,000 are heard, whereas there is actually scant reason to anticipate much, if any, more than a tax return of \$200,000,000 a year. This would be amply worth having, but it will not of itself balance the Federal budget. It would be most unfortunate if politicians were permitted to advance this measure with the shallow claim that it will meet the deficit. It must not be allowed to distract public attention from the stern necessities of a sharp cut in governmental spending. Moreover, too emphatic warning can not be given to the public to beware of the present flood of stock promotions based on the speculative possibilities of brewing companies. Only a tiny minority of the scores of beer enterprises now being touted will ever make money.

## MOTOR INDUSTRY IN 1933

THE automobile industry is energetically preparing new models in its never-ceasing effort to stimulate consumer demand. This is the same old story, repeated always at this season of the year. Yet, when we pause to think, there is something inspiring in the aggressive spirit of this industry. Here is an industry standing staunchly upon its own feet, confident in its ability to compete with the world without special advantages of any kind. Here is an industry free of debt and which has built up and maintained enormous reserves of cash. Here is an industry which has demonstrated that the passing along of ever-increasing values to the public at ever-decreasing costs is the soundest possible policy and the one most certain to create good-will. No industry is more deserving of prosperity, and yet, unfortunately, there is no evidence that prosperity is just around the corner. While the new models already announced represent a distinct gain in values to the public, the sharp competition for markets by leading makers continues to put a killing pressure upon profits. There is at least cause for some immediate gratification in that the preparation for 1933 means a moderate improvement in business activity and employment at a season when most lines are receding.

## THE NEW STYLE INVESTOR

MR. WALTER S. CASE has done a public service in pointing out to the New York Conference of the Investment Bankers Association how, in the present deranged condition of economy and finance, the old rules of investment are no longer dependable. Today's investor must weigh the passing effects of investment mob-psychology. He must consider that finance the world over is ruled by arbitrary and artificial measures and that trade, both domestic and international, is subject to rigid and arbitrary restrictions. He must correlate erratic exchange, managed currencies, agrarian unrest, international economic and political debt problems, disappearing governmental revenues, crushing taxation and the complex of forces that are making for recovery. He must remember history, watch and appraise the news of the day, furbish up his economic fundamentals and interpret events that defy them. In a word, as Mr. Case says, the investor in these times must buy and sell "on broad judgment, involving political, social, psychological and scientific factors."

## THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 134. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, November 21, 1932.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS  
1907—"Over Twenty-Four Years of Service"—1932

# *As I See It* ~ *By Charles Benedict*

## *The Inopportune Time for Revision*

EUROPE'S desire to free herself of the burden of the war debts has resulted in a wave of propaganda which has unsettled the world economically and politically. This propaganda began with the signing of the Treaty of Versailles and has continued throughout boom and depression in various forms and from various angles. It has resulted in the setting up of a variety of camps for cancellation, repudiation and revision, whose conflicting interests have confused and obscured the real facts. To confound the issue further, our experience with the sophisticated statecraft and diplomacy of the Europeans has been so disappointing as to give rise to serious questioning of the sincerity of the proposals and pronouncements which have emanated from abroad.

As matters now stand, the present certainly appears as a most inopportune time in which this vexing question of payments can be settled finally and on short notice. Nor does it seem sound that any final basis of settlement should be considered when the general level of prices is the lowest in generations.

Therefore, it is only logical that the moneys due on December 15 should be paid; that any discussion should come later; either at the Economic Conference itself or at a separate convocation of the nations soon thereafter. As far as France is concerned, she has vast stores of gold, and cannot plead transfer difficulties. Her government is now feeling the repercussions of its own long political agitation against payment. England's approach is hampered by so embarrassing a companion. Although Britain is not so well situated at the moment, she undoubtedly has considerable credits available in New York which should enable her to make the payment at this time. The British attitude and objectives at the Ottawa Conference do not encourage the belief that any trade advantages to us would attend a downward revision of her payments—except after further discussion. It is plain that we cannot approach the problem of debt settlement en masse. Each country must be considered individually.

Despite the suggestion of commercial gains made possible through bargaining in a revision of foreign debts, the American people are skeptical. They are not inclined to accept the pleas from abroad at this time without additional analysis. Our concessions have already been generous. Moreover, so many mistakes have been made by Europe, through a desire for political and economic control, that current demands may not be found to be based on sound premises. The pleas may be founded rather on a habit of thought inculcated by long exercise of power and dominance,—of which the stupidity of the terms of the Treaty of Versailles is an outstanding example. A timely

illustration of European emotional logic is found in the unabated fervor of the demands for a downward revision of our tariffs—when Europe must be well aware that depreciated currencies have already accomplished that purpose; and, also, that this same currency depreciation has had the detrimental effect of further raising European tariffs against us from five to fifty-five per cent.

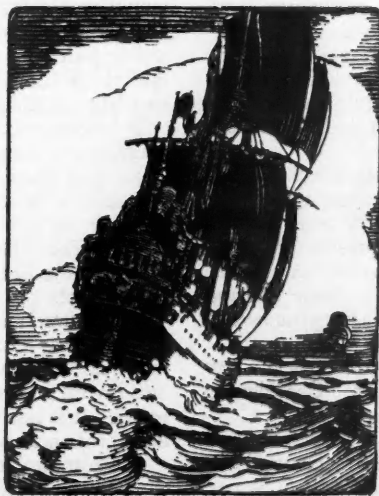
Let us, therefore, analyze the position of these two most important debtors, England and France.

The case of France can be dismissed very easily and quickly. She cannot talk of the difficulties of making payment in goods or services. Her gold holdings are second only to the United States. Her wealth is abundant, her obligations to pay obvious. Under the terms of Versailles she secured Alsace Lorraine, with riches in coal, iron, potash and other resources, as well as valuable colonies in Africa and elsewhere. Compare this with her position before the war. Nor does the difference in prices between the time when the debts were contracted and the present day change the hard fact that failure by France to pay would shift the full amount of the debts contracted from the shoulders of the French taxpayers to those of the American taxpayers, and unjustly so. Moreover she has received liberal concessions when her debts were previously scaled down. Also, it has recently been disclosed in the French press that after the Armistice, France sold her excess of munitions purchased from us to her allies, Poland, Rumania, etc., at a considerable profit. And, that this profit was sufficient to pay the interest charges on the war debt. France has long since collected this money and has had the use of it. Actually, the current annual payment of France to the United States represents only 1.6 per cent of her proposed budget expenditures, while 21 per cent of her budget expense is destined to armaments, including the fortification of her Mediterranean coast. It would be a simple matter to cut the 1.6 per cent out of her armament expenditures and ship us in gold the money so saved.

England's position is, of course, not so opulent as that of France. It must be recognized, however, that the money she pays us corresponds with the amount of loans she herself made to her dominions and elsewhere during the war and at a higher rate of interest than that which she is obligated to pay to the United States. But against this, she pleads the matter of transfer.

It is true, the balance of trade between England and the United States has always been in our favor. This adverse situation has heretofore been corrected by indirect trade through other countries, by earnings from British shipping, and by other invisible items arising from her position

(Please turn to page 186)



# Market Approaches Buying Level

Gradual Accumulation Warranted in Periods  
of Price Weakness During Ensuing Weeks

By A. T. MILLER

THE stock market's post election rally, optimistically cultivated by that portion of the professional speculative element which can never be content with inaction, appears at this writing to have ended. In exceptionally dull trading, prices currently have sagged down to a level only a few points above the "double bottoms" of Oct. 10 and Nov. 3, in which position most issues have cancelled from 50 to 60 per cent of the July-September recovery.

With business in seasonal recession and with Congressional action on a variety of major problems imminent, it appears highly improbable that there can be any dynamic or sustained advance in the market in the early future.

If this apparently logical assumption be accepted, our interest naturally turns to the alternative possibilities over the remaining few weeks of the year. As this distressing year 1932 draws to a close it is conceivable that stock prices may move in generally lateral fashion within a trading range differing little from that recently obtaining. It is equally conceivable that discouragement and doubt may cause values to drift lower.

In either event, it is the decision of THE MAGAZINE OF WALL STREET at this time to advise its readers against the increasing risk of excessive pessimism. Whether sound stocks remain within approximation of present prices or whether they move lower, we believe the remaining five weeks of the year will in future retrospect prove to have constituted an attractive range for discriminating accumulation.

On that belief we are presenting with this article a list of stocks of twenty outstanding companies. Considering the uncertainties involved in the early convening of Congress, particularly as regards the Federal fiscal policies, we claim no power to forecast the exact day of maximum buying opportunity in the market. For that matter, it is un-

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## Twenty Stocks for Investment Consideration

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American Telephone

Consolidated Gas

Public Service of New Jersey

United Gas Improvement

Norfolk & Western

Union Pacific

Atchison

Chesapeake & Ohio

Pennsylvania

Union Carbide

Air Reduction

du Pont

Atlantic Refining

Standard Oil of New Jersey

Sears, Roebuck

J. C. Penney

Liggett & Myers "B"

National Biscuit

American Can

Corn Products

---

likely under any circumstances that all securities will hit bottom at a given time. Accordingly, we do not advise immediate purchase of these stocks, nor do we advise anyone to attempt the virtually impossible task of guessing an exact low point.

We do recommend that investors who have reserved surplus funds for ultimate purchase of common shares regard the next five weeks as likely to encompass a period of opportunity for accumulation. In the event that prices move

lower in the very near future, logical investment policy would be to begin prompt purchases on a scale down, this method offering practical means of establishing a position at a satisfactory average. In the event that prices should hold somewhere near present levels well into December, we should regard that as a reasonably conclusive indication of underlying market stability, suggesting the advisability of scaling purchases on a basis of time, from week to week, so that the holdings individually desired will be either substantially or completely acquired by the close of the year.

In recommending specific stocks, we are in no way attempting to forecast the long-range future or to call a major turn from bear to bull market. We are concerned here only with what appear to be the reasonable probabilities over an intermediate period, say for six months or so ahead. Thereafter the future will again have to be surveyed from a new perspective.

On an obvious seasonal basis, the fourth quarter has provided an intermediate buying opportunity in the market in every year since the depression began. Conversely, the first quarter of each year has brought hopes of spring business revival and rally of greater or lesser proportion in share prices. It is not this precedent, but the logic which underlies it, that is impressive.

A great deal of adversity has been endured in the last three years and economic adjustment has made substantial

progress. As evidenced by the broad financial improvement that has taken place since last June, there is strong reason to believe that the panic state of mind in this country is a thing of the past. Investors who have held on to their stocks this long have ever less reason to become frightened. Bank collateral loans have been greatly reduced and the urgent necessity for reducing them further has been eliminated by a steady strengthening of the general banking structure, due both to a decline in currency hoarding and, more especially, to the return flow in recent months of virtually all of the gold which Europe withdrew in last summer's phase of international panic. The speculative loan account in Wall Street has been cut from more than \$8,000,000,000 to but little more than \$300,000,000 and has been virtually static for months.

In short, it is difficult to see any probable source of violent or urgent liquidation on large scale in the near future. If that is the case, there appears scant reason to expect that 1932 will end with any such feeling of fear and any such violent downtrend of prices as marked 1930 and 1931. Instead, at worst, it seems likely that any further recession, whatever its final scope, will be gradual, irregular and relatively dull, influenced by scattered, small-scale liquidation and by speculative operations of purely transient significance.

This is to say that there appears to be a reasonable probability that the year 1932 will close with substantially greater market stability than have previous years of the depression. Moreover, considering the extent and duration of the deflation, the internal corporate adjustments that have been made, the apparent cessation of decline in commodity prices, the recent turn for the better in our credit, banking and gold position and the positive evidence of slightly greater than seasonal gains in many lines of industry during the autumn, it is obvious that we have a stronger basis for looking to next spring more hopefully than has been possible in any previous spring since the depression swept over us.

It is to the prospect of that next period of seasonal hope—the first quarter of 1933—that we are looking, in suggesting that investors avail themselves of whatever buying opportunity is afforded during the short remaining time of this decidedly uninspiring fourth quarter. No one need buy stocks with the fixed idea of putting them away and forgetting them more or less indefinitely. That unintelligent practice is one of the "New Era" fallacies of the past to which this publication never subscribed. Stocks should be purchased on the logical probability that they will show profits at some time within a period of months. When that time comes it is quite possible that enduring industrial revival will have started and that the evidence will justify

further retention of commitments. Meanwhile, it would merely be a waste of mental energy to seek to look so far ahead.

We realize that many of our readers would like more specific advice as to the scope of possible decline in the market. Without attempting to guess bottom, it is possible to venture some general observations which may provide helpful guidance.

This question presents itself to the minds of many investors: Will stock prices go back to the lows of last June? On a seasonal basis, there is scant reason to expect any such decline during the first quarter of 1933. Beyond that period is much too far into the future for intelligent forecast. For practical purposes, then, the question really boils down to this: What is the chance that prices will go back to the old lows within the remaining five weeks of this year?

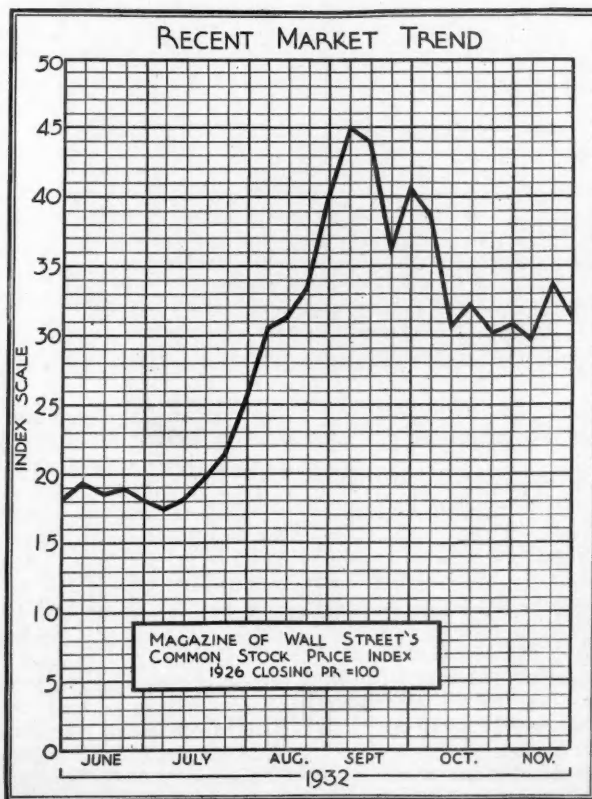
Our opinion is that this possibility is extremely remote. To duplicate the level of last June the market would have to decline by more than 30 per cent. During the course of the depression there have been several concentrated declines of this scope, but they occurred under conditions more adverse than now prevail and, of considerable technical significance, they occurred over periods of two to four months.

The concentration of a decline of this scope within the next five weeks would represent a considerably more violent collapse than any previously experienced throughout the bear market. With the bond market maintaining the greater part of its major summer recovery, with business appreciably above its summer low point, with our gold reserves replenished and with general investment attitude resigned to the prospect that revival can only be slow and gradual, we see no logical basis for expecting a return of panic—and nothing less than panic could destroy the entire market recovery of the last few months within the short space of five weeks.

The current performance of the market, with trading dull, real liquidation obviously light and public speculative interest low, suggests, on the contrary, that if prices decline in the early future the movement is likely to be one of not particularly exciting downward drift. If one ventured to assume that the market trend evident since early September is to be projected along approximately the same pattern for a few more weeks, such assumption would provide no basis for anticipating a reaction before the close of the year of more than 10 to 15 per cent from the prices prevailing at this writing.

For the purposes of this article the current business developments are not of importance. In most lines of industry, notably those which experienced

(Please turn to page 182)



for NOVEMBER 26, 1932

¶ "It is highly desirable that men be got back to work without destroying wage standards. It is much more important that they be got back to work."

# Labor—The Crucial Factor in Business Recovery

By CHESTER M. WRIGHT

*Economist of the American Federation of Labor*

RESTORATION of employment to America's unemployed would bring restoration of business prosperity and change the whole tone of the nation. If that may be called a sophomoric statement, it is none the less true and it is none the less America's first and foremost need.

Unemployment today totals a little less than eleven million.

If steps of the most energetic nature are not taken we shall close the year with more than twelve millions of idle workers, bringing tragedies beyond prophecy and possible social disturbances of the gravest nature.

Professorial minds may grapple with America's greatest problem as long as they like and bring forth plans and programs to fill many books, but until jobs are found there is no solution. In 1918 the paramount problem was to get men into trenches. In 1932 it is to get men into factories, mines, mills and stores. As the nation bent to the one task so it must bend to the other.

It is highly desirable that men be got back to work without destroying wage standards. It is much more important that they be got back to work.

Nor is it necessary to destroy wage standards. If the hourly rate of pay is maintained wage standards are not destroyed. Earnings per week may be lowered—nay, will be lowered—but the price of the labor actually expended will remain as it was. The buying power will be spread, so that the newly employed can go into stores and pay in money for the necessities of life. That means self-respect and self-respect means social soundness and safety.

It is not easy to visualize more than ten millions of unemployed, or to think in terms of that enormous mass problem. But charitable institutions and mayors and gov-



ernors can come close to it. Two days ago a man came to my office. He addressed me in courteous terms. His diction was perfect, his English almost classical. He asked for work. His story is illustrative of much. Born in Vermont, he went to work as a boy. He saved his money eagerly, with a dual object. He wanted education and a business. Working his way he won a scholarship. Finally he went west and in San Francisco was a successful business man, when the earthquake and fire ruined him. He went on, working as a wage earner. Two years ago he had a fair savings account. Then came unemployment and the savings vanished. He has roamed the Atlantic Coast seeking work. He is 63. He has not lost his pride, but his courage ebbs, as it will when days pass without food. "I should like to do anything," he said. "It seems unfair that there is nothing, for after all I am a human being." In a driving rain he walked, looking for work. An old man, alone, doggedly fighting ahead, with what chance and to what end?

And so, over the country, there are old men, there are middle-aged men with families, there are young men, learning bafflement when they should be feeling security and building in confidence. America must find the answer to this tremendous tragedy.

We cannot plunge back to prosperity. Does it not seem reasonable, then, that we begin where we can begin, with such a dividing of work as to assure the necessities to the largest possible number, proceeding from that point on to a fuller measure of well-being?

In March of this year the American Federation of Labor statistical department made some interesting computations. The accuracy of the figures has not been challenged. Taking the man hours of available employment in those states

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where such figures are to be had and extending them through all industry, it was shown that the then available work in the entire nation was sufficient to provide each worker with 30 hours of work per week. Strange as it may seem, the average length of the work-week for the workers then employed was 45 hours.

It was the Federation's view that the 30-hour week should have then been made universal, or as nearly so as possible. Obviously, that would have ended unemployment. It is equally obvious that today there is not enough work for even a 30-hour week, but there undoubtedly is enough for a 20-hour week. There seems no way to destroy the idea that it would be infinitely better if all America were at work 20 hours a week than it is that nearly eleven millions should have no work at all.

### Distributing Income

The idea that there should be a dividing up of available work is bitterly opposed by some, who see only that some would earn less than they now earn. Recently a certain manufacturing establishment secured a large government contract. It had long been working short time. No sooner had it secured the big contract than it began working on a 12-hour day basis, even adding overtime to the 12 hours! There was no mechanical reason why twice as many men could not have been employed six hours a day and that is what the work-sharing idea means. To merchants it means twice as many families coming to their counters, all spending their entire income.

Economics is not an emotional science. It is actually cold-blooded, and it must be so if it is to avoid error and so remain at least something of a science. Sound economics should teach us that it is better to have an entire nation wholesomely fed and adequately clothed than it is to have half a nation starved while the other half builds bank accounts. The logic of this seems to be growing throughout the nation.

Furthermore, unless American business can come to an effective decision that hereafter the national income is to be more equitably distributed than in the past, we may as well conclude that the seeds of the next depression are being sowed, even as we struggle to win our way out of the present chaos. In a great many industries the rate of production per man has grown tremendously since 1929. In many industries engineers and efficiency experts have held their jobs only as long as they could devise new routings of materials or new methods of operation to cut labor costs.

America has just registered a conviction that it wants a new political deal. A new industrial deal is vastly more important. To divide the available work so as to restore millions to payrolls of some kind at

for NOVEMBER 26, 1932

## The Average Worker's Output in 1929

The average worker's product was valued at .....	\$7,940
Average cost of material and power was .....	4,671
Wherefor value added by manufacture was .....	3,869
The average wage was .....	1,808
Rent, interest, depreciation, taxes, etc., amounted to .....	1,951

once is but a beginning. The sharing must continue into the future and it must be something vastly more substantial and generally fattening than the sharing of work by those who do not have enough with those who have none.

The impression that the depression came upon us in the fall of 1929 persists. Most Americans look back

to 1928 and the first half of 1929 as a prosperous period. But the depression began long before 1928. Not since 1919 have there been as many men on American industrial payrolls as in that year. That thing inadequately described as technological unemployment has been growing upon us through all of the years since the end of the war.

And those who like to point to international complications as the cause of our great misery may continue to point without destroying the truth of the statement that while international conditions may have their contributing effect, the basic thing wrong with America is purely internal. It can be described as technological advance, bringing unemployment, too much being drained off in profits of one form or another, too little going into wages.

There was an inadequate buying power in America when Wall Street went to pieces in 1929. But from that time until United States Steel effected its first wage reduction in 1931 the total buying power of American industrial workers shot down 39 per cent, or \$4,454,000,000, as revealed by a study of United States Bureau of Labor Statistics figures. This was the total of unemployment, part-time employment and wage reductions, balanced against the change in cost of living figures.

To obtain a view of the whole depression period, that is from 1929 to the present, let us borrow the American Federation of Labor figures on the fall of wages and salaries since 1929.

In 1929 the total of wages and salaries amounted to \$53,252,000,000. In that year retail sales totaled \$53,000,000,000. And now observe:

(In Millions of Dollars)				
Year	Workers' Income (wages and salaries)	Loss from 1929	Retail Sales	Loss from 1929
1930	40,803	7,749	44,000	6,000
1931	37,741	15,511	37,500	15,500
1932	35,808	25,000	30,000	23,000

For 1932 much is estimated, but on the basis of known trends, it will be observed that loss of wages and loss of

retail trade bear an almost constant relationship. They are welded together by the necessities of men and women. More than that, they show clearly that the welfare of trade depends, not upon the affluence of a few, but upon the steady, wage-earning ability of the millions. Back of retail stores are wholesalers and jobbers and back of them are factories, mines, mills and forests. The state of retail trade is, by and large, but the projected picture of the state of affairs in manufacturing industry

## How American Funds Flowed Abroad

From 1914 to 1930

Americans loaned to foreigners .....	\$33,000,000,000
Americans invested abroad .....	5,000,000,000
American tourists spent .....	5,229,000,000
Americans paid in interest on foreign investments in the U. S. ....	2,577,000,000
Aliens in the U. S. sent abroad .....	2,348,000,000
Missionary and Charitable Institutions sent abroad...	494,000,000
Freight on exports cost .....	1,950,000,000
Our government spent abroad .....	984,000,000
American advertising abroad cost .....	380,000,000
Which makes a total flow of .....	\$48,948,000,000

and in the production of raw materials. Industry and people are one thing, not two things. They languish together, or they rejoice together.

But some of the people in industry can rejoice too much. From 1922 to 1929 dividend payments by all corporations increased 143.1 per cent. In the same span of years wage and salary payments increased 45.5 per cent. Wages reached their all-time high in 1929, although some wage rates per hour continued to rise into 1930. Dividends reached their all-time high in 1930. Today workers' income is 23 per cent below the 1922 level, but dividends are 32 per cent above that level.

Consider the figures in the accompanying table obtained from the 1929 census. They do not chart the whole situation but they are illuminating and strongly suggest the lack of balance about which the nation has been complaining in an agony of surplus production and surplus workers.

Certainly there were profits. Perhaps we may say there was too much Insullism, too little in wages. Moreover, the drain-off of funds to foreign shores proceeded at a breath-taking pace, as shown by the larger table accompanying. All of this money, over 42 billion dollars of it, came out of American industry and did not go into American buying power. It is the equivalent of the wage and salary total of a whole boom year!

There is a growing number of Americans who become more and more convinced that America's economic future lies within her own borders. They see America as the richest market in the world and they hold that if there can be equity in the division of reward for creative toil America can approach the characteristics of Utopia. It is not that these Americans are jealous of profits, or that they seek to restrict individual enterprise and initiative. On the contrary, they hold that unless there is restriction of what they term plundering, all opportunity for initiative, except for a very few, will vanish and that quite possibly a resentful people will destroy the present structure in toto. They hold that preservation of democracy and of the American scheme of things depends upon a fairer sharing of the fruits of American industry. Finally, that comes down to and must be translated in terms of wages and hours of work.

#### *Roots of Unemployment*

Work is inseparable from the places where work is done and it is inseparable from the demand for the products of work. Examining those things it is clear that while the glow of the golden age was warmest and most encouraging, the shadow of today's unemployment was creeping on ahead, with almost none to heed the warning. Post mortem examination avails little unless it serves to guide future operations. It should do that. Medicine proceeds by research and clinical observation. Why not industry?

America reached the employment peak in 1919. From that year to 1932 there was a 16 per cent growth in population. The total installed horsepower in 1919 totaled 11,540,776. In 1927, the latest available figure, the total was 15,666,374. That was an advance from 3.2 h.p. per

worker in 1919 to 5.3 h.p. per worker in 1927. Volume of production in 1927 was 89 per cent over the volume in 1919. In five industrial groups—textiles, paper and paper products, printing and publishing, petroleum and coal products and stone, clay and glass products—there was a gain in the number of wage earners employed. In eleven other major industrial groups there was a fall of 873,827 in the number of employees. This displaced army heralded the flowering of automatic and straight-line production, perfection of scientific management and substitution of materials. There, it would seem, is the actual root of the unemployment problem as a permanent evil. Permanent, that is, until a remedy as basic as the cause is applied.

A great deal has been said about the possibilities of employment in new industries when men are displaced in established industries. Some authorities point to the so-called service occupations as the sponges wherein those washed out by automatic machinery may be absorbed. But the great period running from 1919 to 1929 failed to show that the service industries could be expected to form an effective sponge. There was a net loss in the number of available jobs. If that fact points to anything it is the necessity for a readjustment of the hours of work.

The tremendous flood of profits point to the other half of the remedy, a gain in wage rates. All the self-praise of the last decade to the contrary notwithstanding, the United States has not been a land of high wages, except by comparison with other nations. Comparison with American productivity and American resources shows this country a land of low wages and enormous profits.

We have observed the average industrial wage. Where there is an average there is a portion below the average.

Down in what someone has called the cesspool of industry there is a group of 30 industries in which the wage, as shown by the 1929 census, is less than \$900 per wage earner per year. Only 14 of these industries pay more than \$800 per year, while at the bottom the turpentine and rosin industry pays a wage of \$372 per year. If the workers in this industry earn a little at something else it is never much. The workers in these thirty industries produce necessities, such as cotton gloves, work shirts and overalls and cotton textiles. They work at canning fish and oysters, fruits and vegetables and the making of cottonseed oil. And they make cigarettes, cigars, smoking tobacco and snuff. In these industries almost one million workers are employed normally. In one of these industries, employing 116,000 workers, the value added by manufacture is over eight hundred million dollars and the wage is so small a part of the total cost that an increase of a flat 100 per cent would add but eight per cent to the final cost.

#### *The Biggest Employers*

The average wage, as found in the 1929 census, was \$1,308 and there are 151 industries that pay, or then paid, less than the average. That was not today, in the midst of depression, but in the boom period. Just how are all of the luxury and semi-luxury products of miraculous America (Please turn to page 171)

THE MAGAZINE OF WALL STREET

# How A Billion Can Be Cut From the Budget

Balance Can Be Achieved Without Increasing Taxation, Solely By Reducing Expenditures

By JOHN D. C. WELDON

IN an effusive moment just after the war the late Franklin K. Lane, then Secretary of the Interior, remarked that the war had taught us how to think of national expenditures in terms of billions. No longer would we be a picayunish nation—we would spend royally and magnificently, with corresponding results in social betterment. And we have spent royally, even imperially. At the moment the resulting social betterments are hard to find.

No gorgeous spendthrift ever performed more brilliantly than the Federal government in the fiscal year 1931-1932. It took in a little over two billion dollars and it spent over five billion, leaving postal revenues and receipts (except for the deficit) out of the picture. Despite reductions of appropriations and increase of taxation the government is running into a lake of red this year for as much as a billion—perhaps one and a half billions. Five months ago the budget was balanced in a rough way on paper; already it has toppled and fallen. Hypothetically taxes were increased by about a billion dollars. Will the coming session of Congress add another billion?

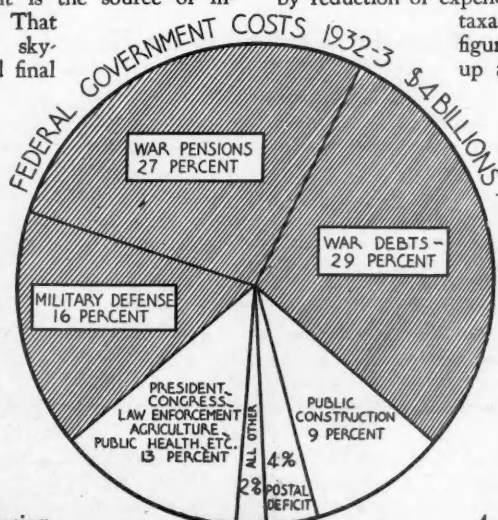
The budget must be balanced. That is agreed by all—not only as a matter of government necessity, but as an essential prop of the nation's financial and commercial structure, as an indispensable factor in the recovery of prosperity. A busted government is the source of innumerable evils and menaces. That way lie inflation, fiat money, skyrocketing and crashing prices, and final ruin, public and private.

To balance any budget, public or private, you can borrow, increase your income or reduce your outgo. Or you can do all three. Uncle Sam has been doing all three. National, state and local taxes are already absorbing close to one-third of the income of all the people, and the last thing we should do is to increase taxation still further. We are getting pretty near the point where business will lie down and die if it has to carry a greater burden of taxes. To borrow to pay running expenses is finally ruinous.

There has been much talk of reducing expenditures by a billion dollars a year.

But when it comes to putting a finger on the places for cutting there has been little but loose guessing beyond the suggestion that 452 million dollars can be subtracted from the budget of the Veterans' Bureau by cancelling all non-service disability compensation and pensions for death and disabilities incurred in civil life. The last session of Congress spent a lot of time and effort on trimming expenditures here and there, but the net result was, perhaps, a cut of only about 300 million dollars in what might be called the regular budget. The reduction of more than 1,100 million dollars in appropriations for the current year as compared with those for last year was largely due to the fact that the latter were swollen by such recoverable items as 500 million dollars for the Reconstruction Finance Corporation, 102 millions for the Farm Board, 200 millions for the financing of bonus certificate loans, 125 millions for the Federal Land Banks, etc. Notwithstanding the fact that two departments and many bureaus were actually bled white and that all government salaries were cut  $8\frac{1}{3}$  per cent, the real problem of reducing the normal outgo has been hardly touched as yet.

It comes now in this form: How can a billion dollars be slashed off the 3,900 million dollars appropriated for 1932? That is on the assumption that the budget is to be balanced by reduction of expenditures and not at all by increase of taxation. Before we get busy with our figurative axe let's consider what we are up against in the present allocation of appropriations by their functional application:



Courtesy, National Committee for Economy in Government

Where the 3,900 Million Dollars Go

1. 29 per cent to interest and reduction of national debt.
2. 27 per cent for war pensions and compensation veterans' hospital care, administration, etc.
3. 16 per cent for military defense—the army, navy and marine corps.
4. 13 per cent for law enforcement, Congress, agricultural promo-

5. 9 per cent for public construction, such as buildings, harbors, waterways, highways, flood control, etc.
6. 4 per cent to make up the deficit between postal receipts and costs.
7. 2 per cent for promotion and regulation of commerce and industry, education, labor, air and land transportation, fisheries, merchant marine, and general science and research.

It is helpful before we begin to consider cuts, to look at the distribution of the 3,900 million dollars (might as well call it four billion) according to the departments and agencies that pass it out. Thirty-six per cent is spent by the Treasury Department (79 per cent of it for interest and principal of debt); 28 per cent by the executive, and independent agencies—over 90 per cent of which is spent by the Veterans' Bureau for war pensions, etc.; 11 per cent by the War Department, 15 per cent thereof being for non-military public works; 9 per cent by the Navy Department; 5 per cent by the Agriculture Department—55 per cent being on public roads; 4 per cent by Post Office Department, being its deficit over business income; 2 per cent by the interior Department, the Indian Service getting 31 per cent of it; 1.5 per cent by Department of Justice; 1.25 per cent by government of District of Columbia; 1.25 by Commerce; and 2.25, together, by legislative, state and labor departments.

And, just a minute more before the gleaming axe descends: Who gets all these four billions or so? These billions go back to the public almost as fast as the public shovels it in—but not into precisely the same pockets. It is decidedly redistributed—at first, at least. The composite taxpayer pays out a billion for interest from one pocket and gets it back on the other side of his trousers. This composite person is composed of several million individuals. The veterans and their beneficiaries take in a billion dollars, which keep life moving for more than a million families.

Of the 1½ million veterans who draw compensation pensions for various wars 400,000 get them for disabilities not related, or at least not discovered, until after they returned to civil life. And that's according to law, too; nothing crooked about it. Now comes the civil service list with a roll of about 600,000 persons, of whom 70,000 live in the city of Washington. They now absorb a billion a year.

And don't forget that about 300,000 of them work for the Post Office department. The average civil servant draws \$141 a month. The military employees number about 290,000 and they get \$260 million a year in cash, and some food, housing, etc., on the side.

We cannot entirely overlook the fact that this huge compulsory circuit of money is an important factor in economic life. It's all spent at home, too.

Now for the axe: Well, let us say, before the war the Federal government cost about 700 million dollars a year. Let's just cut back to that amount.

Not so easy. Thanks to the war, the interest on the public debt alone, is now more than 600 million dollars. Military defense now costs more than 600 millions.

Shall we abolish the army and navy or pare them down to impotency? Not, even our Quaker president says, while the rest of the world is armed to the teeth.

You cannot wipe out the war and its fiscal consequences. As

of 1931 (before we ran into much depression borrowing) the war accounted for an increase of 15 billion dollars in the public debt, and increased the annual debt service by 1,038 millions. It increased pension costs by almost a thousand millions a year. Look at the eloquent figures in the accompanying table.

It is idle to speculate on the effect of the war in increasing other expenditures than those for pensions and the debt service. It must be several hundred millions. But we can't wipe out the war and its consequences.

### Those Stupendous Debt Charges

But you look at the 1932-33 appropriations and see a round 500 million dollars set aside for the sinking fund, that is, to reduce the public debt. You swear softly and say: "Why take 500 millions in these desperate times to put into a savings account for debts that may not be due for twenty years or more? Let's swing the axe there and knock out half a billion!" The trouble is that after you swung the axe with full efficiency you would have your trouble for your pains—except that you might shatter the foundations of national credit. You wouldn't help the current income and outgo situation much. That 500 millions is being borrowed now; it doesn't come out of current taxation. Neither does it increase the public debt except in appearance; only postpones it. New obligations are issued, but their proceeds go into buying old obligations or equivalent use.

That 640 million dollars for interest is a terrible sinkhole for taxes. Can't something be done about it? Interest is in a different category from the sinking fund. In effect, for current expense purposes the sinking fund

drain has been disposed of already. But every dollar that goes for interest means a dollar more for the bent-back taxpayer to dig up. We are borrowing now to pay that terrible interest bill, big enough to finance many nations in their entirety. That means interest on interest. It

### How to Cut the Federal Budget a Thousand Millions

Reduce Veterans' Costs .....	\$500,000,000
Cut the Payroll .....	205,000,000
Trim the Postoffice Dept.....	100,000,000
Save by Governmental Reorganization...	75,000,000
Curtail Public Works .....	120,000,000
Total .....	\$1,000,000,000

### What the War Did to the Budget

(In millions)

	1914	1931	Increase
National Debt .....	\$1,188	\$15,801	\$14,613
Annual debt retirement and interest....	23	1,061	1,038
Army and Navy .....	237	970	413
Pensions costs .....	180	941	761
Shipping Board and public works.....	63	438	375
Other Govt. depts. and offices, including postal deficit .....	132	662	530
Miscellaneous .....	15	288	273
Total .....	670	4,050	3,380
Increase due directly to war .....			1,799
Other increase .....			1,581

means increasing the public debt. Why not—like England and France—decree a general conversion? But it is argued that anything like a wholesale refunding of the debt, even if it saved a hundred millions a year in interest, would at this nervous time smirch national credit. Anyway, it couldn't be done in time to affect the present situation.

One way of approaching the problem of reduction of expenditures would be to put all other expenditures than debt charges back to where they were in 1924, the post-war year of lowest outgo. As compared with 1931 that would save 95 millions on army and navy military expenditures, 309 millions on veterans; Shipping Board, public works and non-military expenditures by the Army, 198 millions, other government departments, agencies, postal deficiency and civil retirement fund, 322 millions; a total of 924 millions. Administrative economies, by reorganizations and for salary reductions, of about 5 per cent would make up the required billion.

It may be possible to balance the budget without cutting a full billion. The return of beer, which seems certain during 1933, may add 200 million dollars a year to the internal revenue. Taxes are taxes, of course, whether direct or indirect, but the beer tax would be an easy tax, a painless one. A general sales tax would be infinitely better than more special excise taxes, or increase of income taxation. The last is to be avoided at all costs if the goose of business enterprise that lays the golden eggs of prosperity is not to be starved. Let's keep beer in reserve.

It is now apparent that there may be no payments this fiscal year—if ever again—on account of the inter-governmental war debts. If so, another quarter of a billion must be negotiated.

Painful as it will be to cut the veterans a full 500 millions,

we still have to curtail expenditures by half a billion more, if we are to avoid higher taxes and additional perilous borrowing for running expenses.

Can it be done?

Necessity knows no law—and no mercy.

What if we knew that the alternative would be ruin of the public credit, default on the national debt, resort to unlimited printing press money, monstrous inflation, final inability to pay running expenses and daily bills, even with stage money—and then such a collapse as Germany had in 1924?

That may be the alternative. If we don't voluntarily curtail in a heroic manner we may be curtailed by ruin. Curtailed as the bankrupt is. Which would be worse—ruthlessly to cut expenses 500 millions or be ruined?

Assuming then that we are determined, at any cost of governmental inefficiency and narrowing of its field to pay as we go and quit borrowing for any purpose except for the sinking fund and interest, where can we reduce by a second 500 millions?

Not an easy question to answer. But suppose we must answer:

1. Cut all government salaries by 10 per cent. That's somewhere around 120 million dollars. Terrible, yes. But private incomes have been slashed at least 30 per cent. Government employes have so far been cut about 10%. Reduce the number of people on the payroll if necessary, but anyway reduce their salary total by 120 millions. It can be done, despite all arguments to the contrary.

2. Tell the Post Office Department that it must cut its cost garment to its cloth income and save 100 millions. Hard to calculate but call it that. Trim all sorts of postal subsidies—air mail, shipping subsidies. Knock out the racket in the rural free delivery, which now cost 90 millions a year and reduce it to 50 millions.

#### Reorganize and Consolidate

3. Reorganize and consolidate the swarm of departmental bureaus and agencies that are independent of the departments. This is a matter for efficiency experts; but here are some suggestions:

Why should there be five bureaus or agencies dealing with public lands?

Why should public works be handled by the War, Interior, and Treasury Departments, two or three bureaus in the Agriculture Department, etc.? Why should navigation matters be handled by both the Shipping Board and the Department of Commerce? Why should not the Federal Trade Commission be consolidated with the Department of Commerce. Why should scientific research

(Please turn to page 184)



# Intimate Letters of a & His New

WASHINGTON, November 10, 1932.

DEAR PERRY:

On this chill November morn I'm just bursting with lofty and (nevertheless) profound thoughts. My lucubrations wrap themselves around the inscrutableness of human destiny and the venomous nature of fate, if you know what I mean. . . .

I'm thinking of Herbert Hoover—brushed aside like a fly by the colossal impatience of a nation. Here today, gone tomorrow! All the hogwash (delicate rustic synonym for "baloney") that deluged him a few days ago now drowning poor Franklin Roosevelt. "The King is dead, long live the King" stuff—you know. Okay?

I could weep with Hoover, but I'm just enough of the eternal rebel to take a savage satisfaction in this complete rout of the high-hats, boiled shirts, monocles and spats. The smug favorites of fortune who have been running this country needed a political drubbing as well as a pecuniary deflation. Snobs have been getting fewer and fewer in Wall Street. During the past year I have been able to see two second assistant vice-presidents without appending a biography and a certificate of necessity. I expect to ignore all but the strongest office boys after this.

Furthermore, as long as it had to be a Democratic victory, I am glad it was a smashing one and I get some comfort in looking at that solid rank and file of states for Roosevelt—all the way from Massachusetts to Honolulu and from Alaska to Florida. Who do you think is running Yankee-land now? Hurrah for Andrew Jackson! Coonskin caps will soon be in style.

Put a fill-or-kill order on that United Aircraft the next time I wire you. How about a December rise? And listen, lay off margin demands until after Christmas, or a beautiful friendship will

perish, and I can't spare another—hundreds of them are dying now. . . . I've no use as a journalist for a man who is going out of office.

Now that the tumult, shouting and bet liquidation are over, victor and vanquished are going right after Old Man Depression. Expect to see the snappiest and most business-like session of Congress I've ever seen—everybody looking like a Democrat. Budget will be balanced in one-two-three order—so far as the impossible can ever be achieved. I'm thinking of the debit side. You just can't cut a billion dollars out of the budget. Must be more taxes. Think the sales tax is earmarked for adoption. Also, income taxes will be left alone. Beer tax is counted on by the more sanguine. I don't see much coin therefrom during 1933-34.

Don't bet any but stage money on Hoover resigning. He's going to stay right on the job until 12 noon, March 4. There is now no crisis, such as the World War crisis. Depression has already been legislatively dealt with in an emergency sense. Little difference between Hoover and Roosevelt on near-policy. The less early scrapping, the calmer the future for the new President. Hoover on the job will be a shock absorber and a reliable alibi. Roosevelt will stay out and look in; Hoover will stay in and look out. Both will be satisfied—and co-operation will be their common name.

Pass this word along to your business friends, if you have any. (I don't consider that you are in business, inasmuch as you toil not neither do you spin.) Here's the word I mean: Even after March 4 there'll be no great tariff shake-up, there'll be no easy money legislation, although there will be some to make debts easier to get rid of, that is, reduce them or extend them. By the time Roosevelt gets around to rocking the boat she'll be as hard to rock as a granite reef.

Everybody is trying to beat a path to Col. Howe's door. He's Roosevelt's secretary and Fidus Achates. The new Col. House, Mark Sullivan, and the rest of the Rapidan reporters are glum. Some of them sagaciously dodged the funeral trip to California. They're scanning approaches to Roosevelt. But no closer than the social climbers.

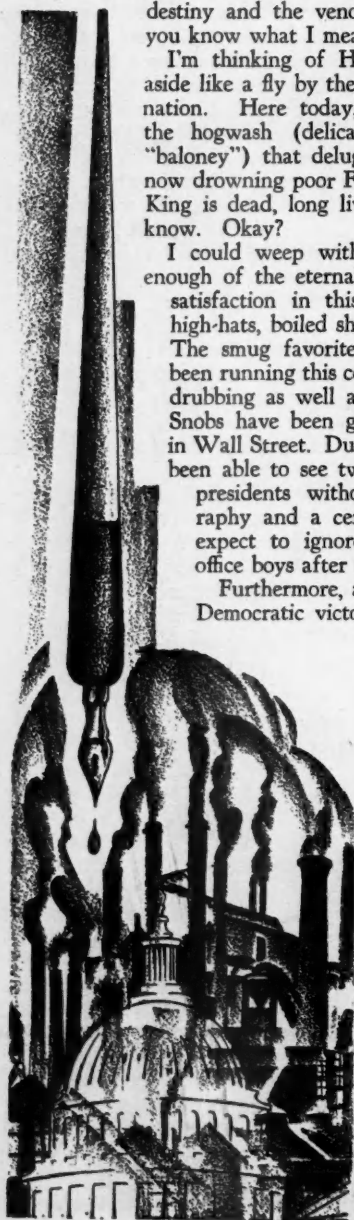
With no hostages left to fate, the bureaucrats unite in telling me that there is no question that recovery has set in, and that there won't be enough foolish Democrats to stop it. You may long for prosperity, I may cry for it, but Roosevelt is soulfully praying for it. Prosperity always wins at the ballot box, and hard times always lose at that rendezvous. Ask Hoover.

So long,

DON.

P. S. Oh, I forgot. Here's some news for national gaiety. Magnus Johnson is coming back to Congress from Minnesota. You remember Magnus and his raw Swedish dialect, don't you? . . . Huey Long fears for the spotlight of the eccentrics.

THE MAGAZINE OF WALL STREET



# a Washington Journalist w York Broker

NEW YORK, November 18, 1932.

DEAR DON:

Far be me from it to say, "I told you so," but did you notice the manner in which the stock market acted right after Election? And whom do you think was responsible? I understand that Brilliant Barney has been buying his head off in the rails, that Raskob is back on the bull side and believes that General Motors is God's gift to all trusting investors, that Lorie of the inscrutable whiskers is now long such a bunch of New York Central that he can take Grand Central Terminal for his private office any day he says, that the Ben Smith-Tom Bragg-Matt Brush triumvirate has said good-bye forever to the short side, and that barring the usual "healthy reactions" which invariably catch the slim margin speculator, the bull market is on its way.

If you want gossip, I'm a givin' it to you, and there is more truth than poetry in what I hear. Why even old deep-set-eyed Dr. Anderson of the Chase, who couldn't be wiggled into a bullish position for three years, has finally capitulated, and joined the optimists.

Of course there is plenty of talk about the new Cabinet, and no roster is complete without Owen D. Young. I wonder whether Owen would have the patience to sit in with a bunch of politicians. I doubt it. Everybody has Farley slated for the job of Postmaster-General. They say he was a swell strategist, and responsible for the election of "him with the synthetic smile." Don't you believe it. With the temper of the American public, in favor of a change at any price, and with any candidate, Joe Zilch could have been elected.

Boy! oh boy! oh boy! did you pay any attention to the proxy fight in the Aviation Corporation? Did you read the paid advertisements? That is—Cord paid for his own, and the Aviation Corporation had their's paid for by the stockholders, including Cord who owns about 30% of the company. Kind of a funny situation, Cord having to pay 30% of the cost of an ad which attacked him. You haven't heard the last of that boner by a long shot. Believe me, this fight was a humdinger under the blankets, and I was betting a red apple on the Front-Drive Napoleon. From what I can gather, Cord had enough ammunition to blow the Lehmans and the Harrimans into a serious huddle on their own five-yard line. Funny isn't it . . . Harriman fighting Cord for the same reason that old man E. H. Harriman fought the New York bankers in his railroad fight, only E. H. was in Cord's position. What a difference one generation makes!

So far as your friend Herbert Hoover is concerned, it is my humble opinion that he is growing bigger, broader, and more appreciated every day. He has taken his defeat manfully, and has acted with much more grace and genuine bigness than his closest advisor would have believed possible a scarce six months ago. The man actually gets tremendous ovations in the movies, while Franklin Delano gets a few scattered handclaps. The real fun, however,

takes place when O'Brien's map is flashed on the screen. You remember O'Brien, don't you Don? He's the guy that ran for Mayor of this here almost bankrupt city, and was shoved over by the Tammany vote. Honest, when his head, and the tough voice appear, the audience bursts into seven different kinds of laughter. Who wouldn't?

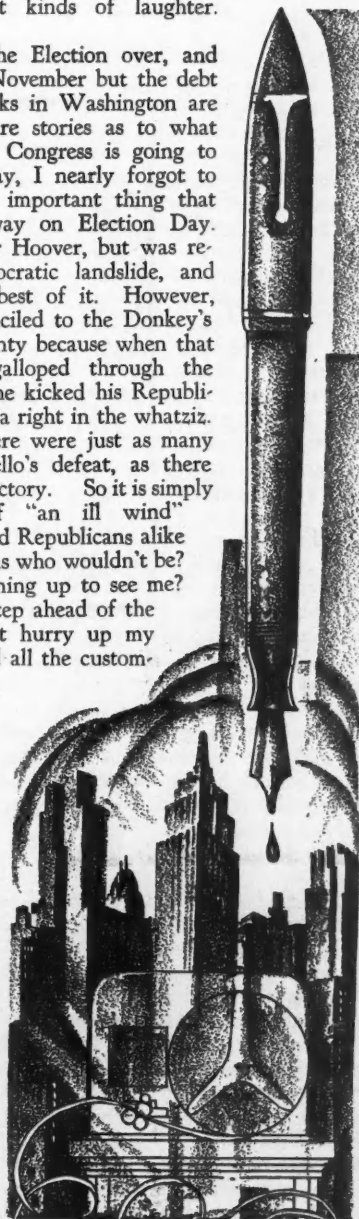
I suppose with the Election over, and nothing stirring in November but the debt negotiations, you folks in Washington are trying to manufacture stories as to what the short session in Congress is going to do. Oh, by the way, I nearly forgot to write you the most important thing that happened up our way on Election Day. You know I was for Hoover, but was resigned to the Democratic landslide, and ready to make the best of it. However, old potato, I'm reconciled to the Donkey's victory good and plenty because when that long-eared animal galloped through the polls to home-plate, he kicked his Republican brother LaGuardia right in the whatziz. Believe me, Don, there were just as many celebrations on Fiorello's defeat, as there were on Roosevelt's victory. So it is simply another example of "an ill wind" etc. and Democrats and Republicans alike were highly pleased, as who wouldn't be?

When are you coming up to see me? Business is still one step ahead of the sheriff. If you don't hurry up my whole office force and all the customers will have left for a cruise in Southern waters.

Affectionately,

PERRY.

P. S. What I said about the cruise is no fooling, that is so far as the office force is concerned, but I was joking about taking the customers along. In fact I haven't been able to get in touch with them since the last healthy reaction. They seem to have disappeared . . . both of them.



# The World Must Come Back to Gold

Output of the Precious Metal Is Rising to New Peaks, Forcing Redistribution of World's Supply and Suggesting Return of All Nations to a Single Monetary Standard

By HOMER DODGE

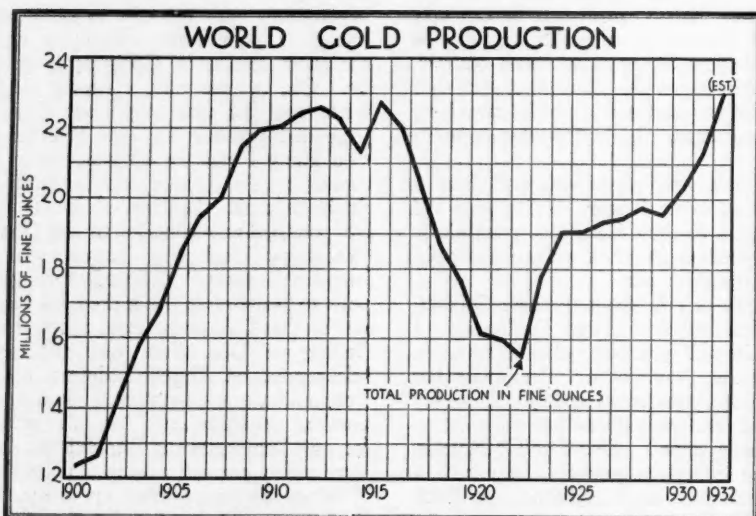
AS a large part of the world had reached the point of seriously considering a return to bimetallism and the inflation of currencies beyond what has been regarded a safe ratio to gold, the entire situation has been altered by the prospect that this year will show the largest production of new gold in all history, an emergence from hoarding of hidden gold supplies and a lower price level, enabling such gold as exists to go farther in supplying a necessary credit structure.

Not only are gold supplies forthcoming now in unprecedented quantities but estimates of reserves in the ground which can be counted on indicate that an enormous and steady stream will be available until 1950.

## The Magic Touch of Gold

The gold situation in the world today constitutes what probably is the greatest stabilizing factor in world finance which has entered since the World War. So huge is the outpouring of the metal that it bids fair to brush aside many of the fiscal difficulties which have deranged both public and private business since the first subversive effects of the struggle were felt. It appears likely that the touch of gold will solve the chief problems which have resulted in the propagation of portfolio after portfolio of new financial proposals. Whole fabrics of reform will fall because the necessity which evoked them has been exorcised by this new accretion to the world's gold.

The phenomenal production of new gold now current is a part of the day's news. But that this augmentation



and stock salesmen but from scientific men scarcely one of whom has any interest in gold outside his profession. The International Geographical Congress called for a report from its membership in each gold-producing country in the world as to the extent of the gold reserves in the ground in their respective territories. All members are scientists, geologists with reputations to sustain, not as promoters but as experts on the secrets of the earth. The report of the Congress combines each separate report, totals the whole and offers the world the assurance of this additional \$8,000,000,000.

Since the discovery of America all the gold produced by all the countries in the world has amounted to between \$21,000,000,000 and \$22,000,000,000. Now, in a period of some two decades, an additional sum of more than one-third of all that has been won before, is vouchsafed. In about 20 years one-third as much gold will be produced as in the preceding 440 years. The average annual rate of production will be some 22 times faster from now until 1950 than it has been in the past back to 1492.

The rate of annual production in the first half century of which we have record—1492-1544—was \$214,000. Last year production was \$440,000,000 and the year 1932 will certainly show more than \$470,000,000, the previous high

is not an ephemeral affair is assured by the forecasts made by the International Geological Congress. This body, which is made up of representatives from every important country in the world, has gone on record as declaring that by 1950 the sum of \$8,000,000,000 in new gold will have been brought to assay.

The prediction has force. It does not come from promoters

record scored in 1915, and may conceivably reach \$500,000,000. Production for the first seven months of the year gives \$268,738,000 with production increasing nearly every month.

### Defeat of Inflation

The past year has seen determined efforts on the part of certain Americans to inject the silver question into politics. An international silver conference has been urged officially by Mexico and other nations have shown an interest in a discussion of the subject. In England, Mr. Winston Churchill has suggested the advisability of a return to silver. President-elect Roosevelt, while refraining from committing himself irrevocably has lent a friendly ear to silver advocates and is regarded, by some, to be pledged to at least a consideration of remonetization.

Two strong currents have been at work in the world since the war. One has been pumped onward by silver producers and political advocates of bimetalism while the other, playing into their hands to some extent, has been conducted by inflationists who have advanced the theory that economic salvation is possible only through increased currency issues. The position of conservative economists is that inflation would again thrust the nations, possibly including the United States, from the gold standard giving the world a limping standard and that not supported, or no standard at all with a final possible graduation into bimetalism. The position of the bimetalists is that such an event would be a good thing.

Today all of these questions wear a new aspect but it is to be expected that there will be shadows of the new policies still hanging. So much of an advance had been made in the direction of inflation when gold production took its upward turn that it will scarcely be possible to check every movement. In the United States measures of inflation have been taken and cannot be erased from the books at once. The same is true in other countries and even with the fresh supplies of metal in hand and still coming, not at once can bond-secured currencies be retired.

However, conservatives in their struggle against fiat money have at least put so many obstacles in the way of unbridled inflation that it may be expected that an effective control can be exercised.

Primarily, the idea of controlled inflation is paradoxical. A gold standard imposes complete control and the idea of inflation is to break this control. Once it is broken it seems almost impossible to govern the extent of the departure. That has been proven over and over. In the present situation there is the suggestion that such a thing as controlled inflation will operate. The control will not be the control of the statutes, the original plan of restriction, but the pressure of outside conditions, the appearance of fresh gold, its better distribution and the lower level of prices making it possible to finance a greater volume of business with fewer

units of money and making currency inflation unnecessary.

It is scarcely a debatable point that nations which can sustain a gold standard without qualification would rather do so than employ fictionized and cheapened currencies. The motive of exercising an artificial control over inflated currencies is based on the innate understanding that such currencies are undesirable. Therefore, when means of obviating the necessity to inflate, either with or without control, appear, they will operate to suppress issuance of poor money.

A serious threat to general maintenance of the gold standard was contained in the maladjustment of gold holdings a year or so ago. So much had been concentrated in the United States and France that it looked for a time as though unwilling nations would be forced to resort to some other means of securing their currencies. A remarkable change took place in the year from June, 1931, to June, 1932, and, since the latter date, the situation has improved still farther. Taking that year as a convenient period it is found that five important European countries gained substantially in their gold holdings while seven lost gold.

The countries which gained were Switzerland, 196 per cent; the Netherlands, 115 per cent; Belgium, 76 per cent; France, 44 per cent and Italy, 6 per cent. Those which lost were Spain, 7 per cent; Sweden, 14 per cent; Denmark, 16 per cent; England, 17 per cent; Norway, 20 per cent; the United States, 20 per cent and Germany, 53 per cent.

It probably would have been better for world stability had Germany and England not lost gold at all and had France not gained any but been, rather, among the losers. The important fact is that gold moved freely and not to any one or two points of concentration; the fact that redistribution, whether wholly healthy or not, had begun; the fact that the use of gold as the prime measure of international trade remained indispensable. This lively movement of gold during the year is an earnest of still more distribution which, it seems inevitable, ultimately will bring about an adjustment and the sort of balance which most benefits commerce and insures retention of the single, simple standard.

### Choking Hoarding to Death

It is uncertain how much currency will issue under the inflationary or at least potentially inflationary measures which have already been enacted by the American Congress.

The Glass-Steagall bill provided one avenue by broadening the eligibility provisions for rediscount at Federal Reserve Banks and admitting types of security from which the originators of the Act recoiled. The possibility of increased currency issues through the activities of the Reconstruction Finance Corporation is always present and, finally, the Borah Amendment to the Home Loan Bank bill could add a billion dollars to the circulating

### Monetary Gold Held by Central Banks of Issue

(In millions of dollars)

	Dec. 1913	Dec. 1920	June 1929	June 1930	June 1931	Sept. 1932
All Countries .....	4,936	7,238	10,148	10,078	11,872	11,070
United States .....	1,290	2,451	3,955	4,177	4,592	3,748
Canada .....	116	112	76	80	86	.....
England .....	104	754	774	763	792	678
France .....	678	685	1,435	1,726	2,211	3,241
Germany .....	278	260	455	623	338	190
Greece .....	4	10	7	7	6	7
Italy .....	266	206	271	273	282	305
Holland .....	60	255	175	173	199	416
Sweden .....	27	75	62	65	63	55
India .....	123	116	128	128	150	162
Japan .....	64	556	541	434	424	214
Argentina .....	256	473	524	440	350	249
Spain .....	92	473	494	476	468	435
Switzerland .....	32	104	95	111	162	509

NOTE: England suspended the gold standard in September, 1931, at which time British gold holdings were 656 million dollars.

medium should there be demand for any such amount.

These measures were adopted largely for the purpose of choking hoarding to death. Apparently they have done so. In the ten weeks following the turning point which came July 20, some \$250,000,000 appears to have emerged from hoarding. Indeed, the emergence was so rapid that disposition of mounting bank reserves assumed the proportions of a problem. A total of about \$1,300,000,000 was estimated by the Treasury to have been in hoarding and \$250,000,000 is only a fraction of that but, if the disgorgement has begun, the problem may be considered dealt with. So long as money has stopped sinking out of sight and is on its way back, all danger of the country being hoarded off the gold standard and into fiat money is at an end. July 20, the turning point of hoarding, might well be regarded as among the important dates of American economic history in view of the fact that the machinery for issuing enough inflationary currency actually to sacrifice the gold standard was at hand and in operation. It appears that hoarding actually *was* choked to death by the potential avalanche, contrary, one is reminded, to Gresham's Law.

#### *Hoarded Gold Comes Out*

To be sure, last June wholesale commodity prices began to show an upturn, followed by stock market quotations, but to what extent this upturn affected hoarding as compared with the prospect of plenty of money it is, perhaps, unnecessary to examine.

It may be interesting at this point to note that some of this hoarded money was in gold. One estimate has placed the amount of gold hoarded here as high as \$60,000,000. But the emergence of such a sum is small when compared with the emergence of from \$250,000,000 to \$300,000,000 in India. This release of old gold all over the world may equal the year's production of new gold from the ground. Thus, in the year when the standard has appeared to be most seriously threatened, a supply twice the supply of a record production year will be made available to the banking world. In passing, it might be well to note, that, since England has been off the gold standard, some millions sterling have come into use through the sale by thousands of individuals of old gold which never before was counted in monetary stocks. During what has been termed the British gold rush, very large amounts of gold have been converted into bullion, through realization at the high gold premium commanded, of the worth of gold objects from single finger rings to gold chalices and gold-encrusted sword hilts and scabbards.

The United States is by no means the only nation which has skirted inflation through the erection of reconstruction finance machinery. In fact, Italy preceded this country when the Instituto Mobiliare Finanziare was set up. Switzerland also created an organization capitalized at \$19,300,000 for the mobilization of frozen assets. Germany has produced the Industrie-Finanzierungs A. G. for a similar purpose.

Two distinct and opposing schools of thought on the subject of reconstruction finance are observable in Europe. The one theory, as espoused by Great Britain and France, is to hold to the older ideals, practice every possible economy and work hard. The other school, to which the United States has given support, is to force better times through governmental aid to business and industry. These European finance bodies also have means of commanding government credit to finance and attempt to revivify declining industry, with the door open to inflation through use of bonds issued for the purpose as currency cover.

While there are several schools of thought regarding the

causes of the depression it is pretty generally conceded that the World War was the principal reason for derangement. Not until that international upset did world trade lose its placidity. Inflation was the rule in many countries. Huge credit structures were reared on the world's monetary stock of gold. The search for gold quickened. In the fourteen years since the official end of the conflict gold to the value of \$5,235,000,000 has been produced.

The gold stock of the United States now stands at \$3,746,000,000. Although it is the European fashion to describe America as avariciously seeping up the wealth of the world, it may be apposite to note that \$4,400,000,000 in gold has been taken from our own soil. In the next 18 years the geologists say \$2,160,000,000 more will be produced here. Yet this country remains but the second in rank as a producer in the time between the present and 1950 and may be displaced by Canada. South Africa will be the chief contributor to the world's stock. This region, especially the Witwatersrand, has produced up to the present approximately \$4,581,022,000 in gold. Mining began in notable quantities in 1884 bringing to the world one fifth of the recorded gold produced since the discovery of America and one third of the gold produced in South African history. By 1950, this same region will add another \$5,000,000,000 to the world's supply. This estimate is made on the basis of known deposits and is declared by the Congress not to be speculative. The geologists note that advances in technological skill can greatly augment this production. The Rand is known to hold half a billion tons of rich pay ore. It is the most highly developed gold field but others in South Africa are due to contribute largely.

#### *Changed Perspective*

The world's perspective in the matter of gold alters. A great many living people well remember the gold strike in the Alaskan Klondike. Yet in 1900, the peak year, when \$22,275,000 in gold was taken out, the world-heralded gold winnings were little more than half of what quietly came out of the single Canadian Province of Ontario last year—some \$40,000,000. Mining in Ontario started in 1911 when \$42,625 was won. In no succeeding year has the amount fallen below that figure. Steadily rising, production, largely from the Kirkland Lake and Porcupine mines, reached \$34,720,240 in 1930 and the figure for 1931 is \$55,458,000.

No extra papers, no great gold rush accompanied this phenomenal output, an average from a single province of some \$15,000,000 a year. The perspective had changed.

The matter of specially keen interest here is that this rate of production will be maintained, according to the geologists' calculations for at least 15 years at known workings. What new strikes may be made is as conjectural as were the present ones but a few years ago. That there is a vast store of gold in Canada is indubitable.

We come to the most fascinating of all speculations concerning the future gold supply of the world—the Russian enigma. It seems not improbable that at this time when a numerous population in Russia has renounced the capitalist system founded on gold, Russia may make a fabulous gold strike and become the greatest capitalist nation in the world.

Gold mining has been going on in Russia since 1745 and a total of more than \$55,000,000 has been taken out. There are 23 known gold locations in Russia, including Siberia. These were found by accident or guess and worked by hand and unsystematically. Today the Russian Geological Survey, under the Soviets, may find gold to

(Please turn to page 172)

THE MAGAZINE OF WALL STREET



# Bond Market Resists Decline

Firm Demand for Best Issues Reflects Lessened Political Fear While Lesser Bonds Continue to Await Business Gains

By J. S. WILLIAMS

THE bond market at this writing shows a slightly improved tone, evidently participating in the more hopeful sentiment reflected in most markets since the national election. Rallying tendencies thus far, however, are too modest to carry much conviction or to answer the question whether the mildly reactionary price trend exhibited since early September has been significantly broken.

The most impressive feature of the market continues to be the quiet strength shown by gilt-edged issues. Recent inconsequential reaction in such rail leaders as Atchison general 4s and Union Pacific first 4s has been reversed and these bonds again are within one point or so of the year's best prices. Among other best rails Chesapeake & Ohio first 5s and Pennsylvania consolidated 4s have met with demand.

Similarly the best utilities continue under steady demand, American Telephone, Consolidated Gas and New York Telephone bonds holding at the year's highest quotations. Among industrials, Standard Oil of New Jersey 5s hold firm at the 1932 high. In general, bonds of this type have given up virtually nothing of the summer recovery.

Such a performance, of course, is not surprising, in view of the high individual merit of these issues, the prevailing condition of easy credit and the scarcity of competing bonds of sufficient quality to attract cautious capital. Nevertheless it does apparently testify that investment sentiment is showing reassuring fortitude in the face of a considerable number of political uncertainties.

In recent weeks there has been much discussion as to prospective Congressional action on such vital matters as the war debts, the Federal budget deficit and Federal taxation. All of these, and especially the matter of taxation, are of great interest to the bond market. The possibility of revision of income tax rates is a factor directly affecting the net return on investment bonds.

Pending formulation of definite fiscal policies by Congress and

the Administration, it is difficult to see how the bond market can experience anything in the nature of a dynamic and sustained advance. What stands out, however, in the current price movement is the absence of fear regarding the prospect. The nearby assembling of Congress apparently is awaited both calmly and hopefully.

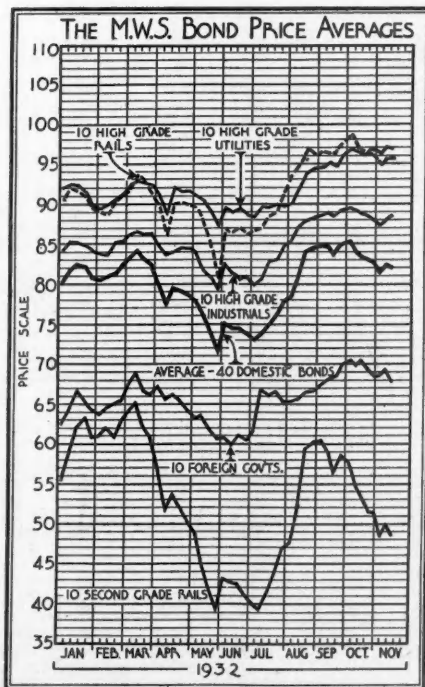
This attitude can hardly be attributed to the election of Mr. Roosevelt, but it is unquestionably due in part to the manner of his election. It is felt that so sweeping a mandate and so large a Democratic majority in both houses of Congress should make for a decisive progress of governmental action hitherto absent. It is fully appreciated also that the new set-up at Washington is likely to find conservative political elements in control.

It is to be doubted that these considerations are of more than minor importance to the second grade and speculative bonds which, numerically, make up the bulk of the list. Such issues continue closely dependent upon corporate earning power and the course of general business. Accordingly, their outlook for the immediate future is subject to doubt, since the year-end trend of industry is seasonally downward.

Even though it is not of long-range significance, seasonal decline in railway car loadings and in earnings can scarcely fail to focus attention upon the generally adverse status of not a few railroads. The action of the Reconstruction Corporation in agreeing to extend a large loan to the Baltimore & Ohio in order that an important maturity may be cared for next spring has currently given a fillip to various junior bonds, but this expedient in no way clarifies the underlying railway problem.

The problem is one of insufficient earnings to meet the aggregate of fixed charges. It can not be indefinitely solved by the extension of Treasury credit, which means the creation of more debt. What is needed is a 10 to 15 per cent improvement in freight traffic. If such improvement does not materialize within a few months, the answer in some important instances can only be a scaling down

(Please turn to page 180)



# The Magazine of Wall Street

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

It is naturally understood that all the issues mentioned do not constitute recommendations, although the

relative merit of each is clearly indicated. For those, however, who desire to employ their funds in fixed-income-bearing securities, we have "starred" those which appear to us currently the most desirable on an investment basis. Generally, commitments should be assumed in accordance with the discussion on the previous page.

Inquiries concerning bonds should be directed to our Personal Service Department.

## Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned†		Call	Price		Yield to Maturity	COMMENT
			1930	1931		Call	Recent		
<b>Chesapeake &amp; Ohio</b>									
★1st Cons. 5s, 1936	224	30	4.3	3.5	N C	104	4.3		First mortgage on the best part of the system. Highest grade.
Gen. 4½s, 1908	224	50	4.3	3.5	N C	95	4.3		Subject to some \$48 million prior liens.
Ref. & Imp. 4½s, 1936	224	35	4.3	3.5	110*	85	5.3		Subject fairly large prior liens, but sustained earnings reassuring.
<b>Erie Railroad</b>									
★Cons. Prior Lien 4s, 1906	283	35	1.3	.9	N C	74	5.5		Unlikely to be disturbed under any circumstances.
Gen. 4s, 1906	283	72	1.3	.9	N C	44	9.1		Junior to prior lien 4s.
50-year Conv. 4s, 1933	283	31	1.3	.9	N C	34	13.6		Prior liens total \$152 million.
Ref. & Imp. 5s, 1975	283	109	1.3	.9	105*	30	..		Junior to the three issues above.
Ohio. & Erie 1st 5s, 1932	283	12	1.3	.9	N C	92	5.5		A well secured bond.
<b>Great Northern Rly.</b>									
1st & Ref. "A" 4½s, 1931	354	72	2.0	1.3	105 '41	75	6.1		Even present low earnings should not endanger this issue.
Gen. "A" 7s, 1936	354	206	2.0	1.3	N C	65	..		Subject to about \$140 mil. prior liens.
Eastern Ry. Minn. Nor. Div. 1st 4s, '43	354	10	2.0	1.3	105	85	5.4		Strong divisional issue.
Montana Central 1st 5s, 1937	354	10	2.0	1.3	N C	94	7.5		Reasonably strong.
St. Paul, Minn. & Man. Cons. 4½s, 1933	354	42	2.0	1.3	N C	93	6.5		Strong, but for possible refinancing difficulties.
Do. Montana Ext. 1st 4s, 1907	354	22	2.0	1.3	N C	82	8.5		Partly subject Mont. Cent. 6s.
Do. Pacific Ext. 1st 4s, '40	354	26	2.0	1.3	N C	73	7.7		Secured valuable property and collateral.
<b>New York Central R. R. Co.</b>									
Cons. 4s, 1906	670	68	2.3	1.0	N C	65	6.2		Reasonably strong holding.
Conv. Deb. 6s, 1936	670	12	2.3	1.0	110	59	..		Unsecured. Speculative.
★N. Y. C. & H. R. mtge. 3½s, '97	670	94	2.3	1.0	N C	73	4.9		Senior to the two issues below. High grade.
N. Y. C. & H. R. Deb. '94 4s, '94	670	48	2.3	1.0	N C	70	..		Banks with Cons. 4s, '98, and ahead of
N. Y. C. & H. R. Deb. '12 4s, '42	670	9	2.3	1.0	N C	70	8.5		Ref. & Imps., 2013.
N. Y. C. & H. R. Ref. & Imp. "A" 4½s, 2013	670	200	2.3	1.0	110	47	9.6		Hardly an investment present conditions.
N. Y. C. & H. R. Lake Shore Col. 3½s, '98	670	23	2.3	1.0	N C	70	5.1		High grade.
★N. Y. C. & H. R. Mich. Ct. Col. 3½s, '98	670	19	2.3	1.0	N C	70	5.1		Mtge. secured. Also \$16,819,000 Mich. Ct. stock.
Lake Shore & M. S. 1st 3½s, '97	670	50	2.3	1.0	N C	76	4.7		High grade.
Ohio, Ind. & Sou. 50-yr. 4s, '98	670	15	2.3	1.0	N C	61	7.8		Medium grade.
Cleveland Short Line 1st 4½s, '81	670	12	2.3	1.0	N C	80	5.6		Secured valuable property. Strong bond.
Jamestown F. & C. 1st 4s, 1939	670	11	2.3	1.0	N C	72	6.1		"Medium to high" grade.
Michigan Central 1st 3½s, 1932	670	18	2.3	1.0	N C	83	4.8		High grade.
Clev. Onn. Ch. & St. L. Gen. 4s, 1933	153	33	.3	1.0	N C	75	5.4		Senior to issue below. Strong bond.
Ref. & Imp. "E" 4½s, 1977	153	60	.6	1.0	105 '47*	51	9.1		Junior to issue above and prior ins. thereto.
<b>New York, Chicago &amp; St. Louis</b>									
1st 4s, 1937	147	17	1.6	1.0	N C	73	11.2		Reasonably strong, but road hard pressed.
Ref. "C" 4½s, 1978	147	107	1.6	1.0	102	13	..		Speculative under present conditions.
Notes 6s, 1932	147	20	1.6	1.0	..	32	..		Overdue. Deposits being received pay 25% cash, balance new notes.
Lake Erie & West. 1st 5s, '37	147	7	1.6	1.0	N C	67	14.5		Outstanding low rate per mile.
Toledo, St. L. & W. 1st 4s, '50	147	17	1.6	1.0	100	50	10.0		Road's plight depressing influence.
<b>Northern Pacific Rly.</b>									
★Prior Lien 4s, 1907	310	106	2.2	1.6	N C	82	4.9		Strong, well secured issue.
Gen. Lien 3s, 2047	310	55	2.2	1.6	N C	80	5.0		Junior to the prior lien 4s.
Ref. & Imp. "B" 6s, 2047	310	145	2.2	1.6	110 '36	77	7.8		Junior to two issues above. Medium grade.

## Public Utilities

<b>Appalachian Elec. Pwr. 1st &amp; Ref. 5s, 1936</b>	38	62	2.2	2.0	104½*	39	5.9		Reasonably sound holding.
<b>Arkansas Power &amp; Light 1st &amp; Ref. 5s, '36</b>	35	38	2.3	2.2	105*	35	6.2		Sound medium grade issue.
★Bell Telephone of Pennsylvania 1st & Ref. "C" 5s, 1930	97	55	2.7	2.3	100 '57	108	4.5		Impressive earnings record—high grade.
Woolsten Edison Gen. "A" 5s, 1940	97	56	6.1	6.2	105	106	4.5		Exceedingly high grade investment issue.
<b>Brooklyn Union Gas</b>									
★1st Cons. 5s, 1945	39	15	3.2	3.4	N C	108	4.2		Subject only to insignificant prior liens.
1st & Ref. "A" 5s, '47	39	6	3.2	3.4	N C	113	3.9		Junior to 1st 5s, but still high grade.
Deb. 5s, 1950	39	18	3.2	3.4	105*	108	4.9		Strong obligation, tho unsecured by mtge.
★Cincinnati Gas & Elec. 1st "A" 4s, 1938	35	35	5.2	5.4	100	95	4.3		Columbia Gas controls—highest grade.

# Street's Bond Appraisals

## Public Utilities (Continued)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned†		Price		Yield to Maturity	COMMENT
			1930	1931	Call†	Recent		
*Commonwealth Edison 1st "F" 4s, 1931....	180	175	3.7	3.3	103*	88	4.6	New financing successfully accomplished. Issue should now do better. High grade.
Con. Gas of New York								
Deb. 4½s, 1931.....	368	340	5.5	4.9	106*	98	4.7	Unsecured obligation of a strong company.
Westchester Lighting 1st 5s, 1930.....	22	9	5.5	4.9	N C	106	4.5	Highest class.
N. Y. & Westchester Ltg. Gen. 4s, 1904..	22	10	5.5	4.9	100	93	4.3	Junior to West. Lighting 1st 5s.
Duke Power 1st & Ref. 4½s, 1937.....	64	40	3.0	2.7	104½*	98	4.6	Strong issue—interest charges well earned.
Florida Power & Light								
1st 5s, 1934.....	74	52	1.5	1.5	104½*	65	8.6	Int. coverage fair only.
Deb. 5s, 1931.....	74	52	1.5	1.5	....	..	..	All owned by Am. Fr. & Light.
Indianapolis Power & Lt. 1st "A" 5s, 1937	38	38	2.7	2.5	104*	92	5.6	Reasonably safe holding.
Kansas City Power & Light 1st 4½s, 1931.	41	41	3.7	4.0	110*	102	4.4	High grade investment.
Massachusetts Gas Cos.								
20-yr. 5½s, 1946.....	41	16	1.6	2.2	105	90	6.6	These issues are equally secured, tho not by mtge. Better grade. Well protected by restrictive provisions.
Deb. 5s, 1936.....	41	25	2.6	2.2	103	84	6.3	
Boston Con. Gas Deb. 5s, 1947.....	11	11	4.5	3.5	105	104	4.6	
Milwaukee Elec. Ry. & Light Ref. 1st (now 1st) 5s, 1931.....	64	64	2.9	1.9	103½*	80	6.5	Medium grade issue.
Montana Power								
1st & Ref. 5s, 1943.....	44	25	2.3	2.0	105	81	7.5	Only fairly strong present conditions.
Deb. "A" 5s, 1933.....	44	13	2.3	2.0	104*	59	9.0	Junior to issue above and prior ins. thereto.
Nevada-Cal. El. 1st Tr. 5s, 1936.....	31	23	1.5	1.4	103½*	68	8.3	Represents large proportion total debt.
*New England Tel. & Tel. 1st "B" 4½s, '31	88	75	3.2	3.1	100 '53	102	4.4	Gilt-edged.
New York Steam 1st 5s, 1931.....	28	28	2.3	2.7	105*	102	4.9	Open mortgage. Better grade.
North Amer. Lt. & Fr. Deb. "A" 5½s, '36.	189	20	1.4	1.3	103½*	45	13.1	None too strong holding co. obligation.
Philadelphia Electric Co.								
1st 5s, 1936.....	165	56	3.1	3.2	110	107	4.7	Highest grade.
1st Lien & Ref. 4½s, 1937.....	165	34	3.1	3.2	104½*	102	4.4	Pledge of 1st 5s make this almost as strong as issue above.
1st & Ref. 4s, 1971.....	165	59	3.1	3.2	102½*	95	4.2	Strong issue.
Philadelphia El. Fr. 1st 5½s, 1972.....	165	35	3.1	3.2	106*	106	5.1	Not obligation Phil. El. Co. Better grade.
Public Service Corp. of N. J.								
Perpetual 6% Certificates.....	230	19	2.9	2.9	N C	110	5.4	Well secured by stock of subsidiaries.
Pub. Serv. El. & Gas 1st & Ref. 4½s, '37	119	91	4.0	3.8	104½*	103	4.4	High grade issue.
*United Electric N. J. 1st 4s, 1949.....	119	18	4.0	3.8	N C	99	4.1	Underlies Public Service 1st & Ref. issues.
Southern California Edison								
Gen. 5s, 1939.....	138	13	3.3	3.2	105	106	4.0	Prior in lien to the Ref. bonds.
*Ref. 5s, 1951.....	138	120	3.3	3.2	105*	103	4.8	High grade issue—Interest amply covered.
*Southwestern Bell Tel. 1st & Ref. 5s, '34.	51	49	5.6	5.8	105 '34*	105	4.6	High grade issue.
*West Penn. Power 1st "G" 5s, 1936.....	47	47	4.0	4.1	105*	104	4.7	High grade investment issue.

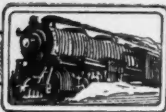
## Industrials

Company	Due date	Amount of this issue (mil'ns)	Fixed Charges times earned†		Price		Yield to Maturity	COMMENT
			1930	1931	Call†	Recent		
Armour & Co. (Ill.) R. E. 1st 4½s, '39....	118	50	1.0	def	102½*	80	8.3	Well secured, but business is hard hit.
Armour & Co. (Del.) 1st 5½s, 1943.....	68	56	1.0	def	105	73	9.5	Illinois company guarantees.
Crane Co. 10-yr. 5% Notes, 1940.....	12	12	..	def	102*	69	10.9	Strong financial position offsets lack of earnings.
Dodge Bros. Deb. 6s, 1940.....	44	44	1.1d	1.7d	107*	87	8.3	d Earnings Chrysler—Medium grade.
Goodyear Tire & Rubber 1st & Coll. 5s, '37	61	56	3.0	2.2	103*	77	7.0	Better grade industrial issue.
Illinois Steel Deb. 4½s, 1940.....	30	19	20.0a	3.4a	105	100	4.5	a U. S. Steel's earnings, guarantor.
New York Dock 1st 4s, 1931.....	24	13	1.8	1.7	105	63	7.8	This year's earnings materially lower.
Phil. & Read. Coal & Iron								
Ref. 5s, 1973.....	59	28	1.4	1.5	105	61	8.4	Prior in lien to conv. deb. 6s.
Conv. Deb. 6s, 1949.....	59	31	1.4	1.5	110 '34*	50	13.6	Speculative.
Std. Oil Co. of N. Y. (Now Socony-Vacuum)								
Deb. 4½s, '51.....	99	50	9.0	1	101*	97	4.7	Strong debenture, despite last year's slump in earnings.
Std. Oil Co. (N. J.) Deb. 5s, 1946.....	173	90	7.4	3.2	102*	105	4.5	Industrial issue of the highest class.
Texas Corp. Deb. 5s, 1944.....	115	100	3.2	def	101½*	92	6.0	Medium grade—oil outlook improved.
Western Electric Deb. 5s, 1944.....	35	35	4.3	3.3	106 '34*	100	5.0	Strong issue, though co.'s present earnings believed poor.

## Short-Term Issues

Company	Due date	Amount of this issue (mil'ns)	Fixed Charges times earned†		Price		Yield to Maturity	COMMENT
			1930	1931	Call†	Recent		
Bethlehem Steel P. M. & Imp. 5s.....	7.1.36	25	4.3	1.0	105	95	6.6	Steel industry badly depressed—Issue now but medium grade.
*Consumers Power 1st & Ref. 5s.....	1.1.36	85	4.5	3.7	105	105	3.5	Exceedingly high grade issue.
*Cumberland Tel. & Tel. Gen. 5s.....	1.1.37	15	3.0m	3.7m	N C	104	3.9	m Earnings Sou. Bell Tel. assuming co.—Highest grade.
Edison Electric Ill. (Bos.) Notes 5s.....	5.2.35	125	3.2	3.2	101*	103	3.7	Company enjoys a fine credit standing.
Northern Ry. (Cal.) 1st 5s.....	10.1.38	5	3.1q	1.3q	N C	96	5.5	q Earnings Sou. Pac. guarantor. High grade.
*Southern Pacific R. R. (Cal.) 1st 5s.....	11.1.37	4	2.1r	1.2r	107½*	100	5.0	r Earnings Sou. Pac. guarantor—High grade.
Texas Power & Light 1st 5s.....	6.1.37	35	2.2	2.0	105	101	4.8	Safe investment.
Third Avenue R. R. 1st 5s.....	7.1.37	5	1.6	1.9	N C	90	7.6	Among the stronger traction issues.

\* Our preferences in above list. † Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. \* Indicates that the issue is callable as a whole or in part at gradually decreasing prices.



# Railroading in the Red

Within the Next Three to Six Months Only  
a Gain in Traffic Can Prevent a Railway Crisis

By PIERCE H. FULTON

"I DO not wish to appear pessimistic, but from present indications, I think a railroad system as large as ours [one of the largest in the United States] will have difficulty in earning its fixed charges in 1932."

This statement was made to the writer late in 1931 by a prominent rail executive. Little did he realize then how large the actual deficit was to be or that it would be matched by all but a few of the largest-earning Class I railroads in the United States.

For the first eight months of this year that particular company earned only .73 times its fixed charges. The deficit was \$5,818,574. For the first four months of the present fiscal year it did not earn all of its operating expenses, the deficit for January being \$403,617 and for February \$402,557, tapering down to \$7,843 for April.

But this is by no means an isolated case among the railroads of the United States. For the first eight months of 1932 only 13 out of 44 prominent Class I carriers earned their fixed charges. Worse than this, for the first nine months 68 Class I railroads failed to earn operating expenses and taxes. This is what is known as an operating deficit.

Going a step further, for the year 1932, it is estimated that of approximately \$500,000,000 required for fixed charges for all the roads, no more than \$300,000,000 will be earned, leaving a deficit of at least \$200,000,000. For the first eight months, such deficit was \$173,892,660.

How is this big sum to be met? This is a vital matter to the companies having the deficits, and likewise to their security holders. Some of the companies can make up their loss out of treasury resources. The larger part

## How Leading Roads Are Faring

	Times Fixed Chgs. Earned		
	1931	1st 8 mos. 1931	1932
Atchafalaya .....	2.72	2.55	1.21
Atlantic Coast Line ....	1.27	1.63	.14
Baltimore & Ohio .....	1.19	1.07	.75
Boston & Maine .....	1.43	1.49	1.05
Chesapeake & Ohio .....	2.45	3.43	2.71
Chi., Bur. & Quincy.....	2.40	2.53	1.00
Chi. & Northwestern .....	.64	.76	.18
Chi., Rock Isl. & Pacific ..	.97	1.18	.39
Del., Lack. & Western....	1.14	1.17	.61
Erie .....	.94	.94	.64
Great Northern .....	1.27	.85	def
Illinois Central .....	.30	.84	.76
Kansas City Southern....	1.07	1.18	.43
Louisville & Nashville ..	1.10	1.14	.39
Missouri Pacific .....	1.07	1.13	.44
N. Y. Central .....	1.04	1.11	.63
N. Y., Chi. & St. Louis ..	.97	1.16	.35
N. Y., N. H. & Hartford ..	1.57	1.51	.99
N. Y., Ont. & Western....	1.43	1.56	1.50
Norfolk & Western .....	5.33	5.94	3.32
Northern Pacific .....	1.22	.98	.33
Pennsylvania .....	1.25	1.33	1.05
Pere Marquette .....	.50	.43	.11
Pittsburgh & W. Va. ....	1.01	1.42	.33
Reading .....	1.35	.99	1.24
St. Louis-San Fran. ....	.76	.87	.19
St. Louis Southwestern..	.90	.78	def
Southern Pacific .....	1.22	1.27	.73
Southern Railway .....	.60	.71	.15
Union Pacific .....	2.60	3.27	2.32

must be borrowed from some source.

Because of this situation owners of some railroad bonds, on which interest is not being earned, are wondering what is going to happen to them next, particularly after January 1. Owners of Seaboard Air Line, Wabash and St. Louis-San Francisco bonds know already what has happened to them. All three of these roads are in receivership, and with the possible exception of "Frisco," which went in partly for technical reasons, are likely to stay there for some time. Are the owners

of the bonds of a considerable number of railroads to have a similar experience?

In recent weeks much has been said about a "new deal" for the people of the United States. Investors in railroad securities—stocks first and then bonds—are beginning to ask whether they are to have a "new deal" in the near future. It may be observed parenthetically that what they really need first of all is more traffic, that will yield sufficient earnings to cover fixed charges and leave a balance toward dividends. The "new deal," whatever it may be, can be considered later.

Owners of railroad stocks, on which dividends have been cut off, certainly feel that they are entitled to such betterment. But realizing the serious position financially in which most of the railroads are, the greater part, at least, of those stockholders, are willing to wait a while longer for the resumption of dividends.

Owners of railroad bonds, in not a few cases, are beginning to wonder if the time is not close at hand when they, too, will need a "new deal," if their income from these sources is to be continued. This feeling is based on knowledge of actual results for the first nine months and estimated figures for the current 12 months, as already briefly outlined in both instances.

It is assumed that the \$200,000,000, by which the railroads will not earn their fixed charges this year, will be made available, as far as necessary, by the Railroad Credit Corporation, Reconstruction Finance Corporation, and, in a smaller way, by the banks.

What about the new year? The people have been promised a "new deal" in the administration of the Federal Government after March 4. Are

the railroads to have a "new deal" also? They have been promised it by the President-elect. Do they need it? If not, what do they need? What are they likely to get?

First of all, it should be reiterated, more traffic and more gross earnings, out of which to get more net. For the week ended October 15, loadings of revenue freight handled by Class I railroads totaled 650,578 cars. That apparently was the peak for this year, as there has been a steady and rather pronounced decrease since, so that, for the week ended November 12 the total had dropped to 537,093 cars, or 113,565 in four weeks.

#### 10% to 15% Traffic Gain Needed

It is officially estimated that with from 700,000 to 750,000 cars of revenue freight a week the railroads could "live." By this is meant they would have sufficient earnings to cover fixed charges and keep out of receivership, but nothing for dividends on stock. To realize this an increase of between 10 and 15% from the peak of 650,578 cars for the week ended October 15 would be necessary. Loadings may be expected to decline still further for the remaining weeks of this year. Ordinarily they do not increase during the first three months of the year, but are smaller than for the last quarter of the previous fiscal period. Consequently, in view of these facts and the nearby outlook, such a rate of increase early in 1933 seems improbable.

If it should not materialize it would mean that aggregate fixed charges of the railroads for that period would not be earned, by perhaps \$50,000,000. That, in turn, would necessitate the raising of more money to avert receivership. How would that be accomplished?

The Act under which the Reconstruction Finance Corporation is operating stipulates that loans shall be protected by "adequate security." The plain facts are that some of the roads that have been the heaviest borrowers from the Reconstruction Finance Corporation this year have been "scraping the bottom of the box" for some time for acceptable collateral.

For instance, one of the largest railroad systems in the United

States, which for the first eight months of this year earned only .18 times its fixed charges, recently applied to the I. C. C. to pledge equipment trusts as collateral for a short term loan. It started in 1930 with \$60,000,000 free bonds in its treasury, and its president told the writer recently that then he thought that was a sufficient back-log to carry the company through any economic or financial storm that might come.

One of several reasons why the "Frisco" was placed in receivership was that it no longer had collateral or credit on which to borrow. That company did not put up any collateral with the Railroad Credit Corporation for the money which it obtained from that organization for fixed charges, before going into receivership. Broadly speaking, the roads that have been the heaviest borrowers from all the sources available, have comparatively little acceptable collateral left.

#### Shortage of Collateral

Obviously, they cannot continue to borrow in 1933 unless the provision of the Act requiring "adequate security" is quite radically changed. And how can the government sanction a change that would result in the loaning of millions of its money with little or no collateral of value?

But this scarcity of collateral is only one of three important phases of this situation. A second is how long should the directors of a railroad permit it to borrow and thereby still further add to an already heavy burden of funded debt and fixed charges, which it will be difficult to carry, even with a substantial increase in earnings? The

third consideration is, how long can the government afford to make loans to the railroads on inadequate collateral, and with the repayment of the principal not at all certain?

If traffic and earnings do not improve materially in the first half of 1933 and the provision of the Act governing the Reconstruction Finance Corporation is not changed, what will happen to the railroads that are not able to earn their fixed charges? This is the big question for owners of railroad bonds to consider carefully right now. They should watch the trend of freight earnings and everything that may be attempted to better the position of the railroads as a whole, notably the weaker lines.

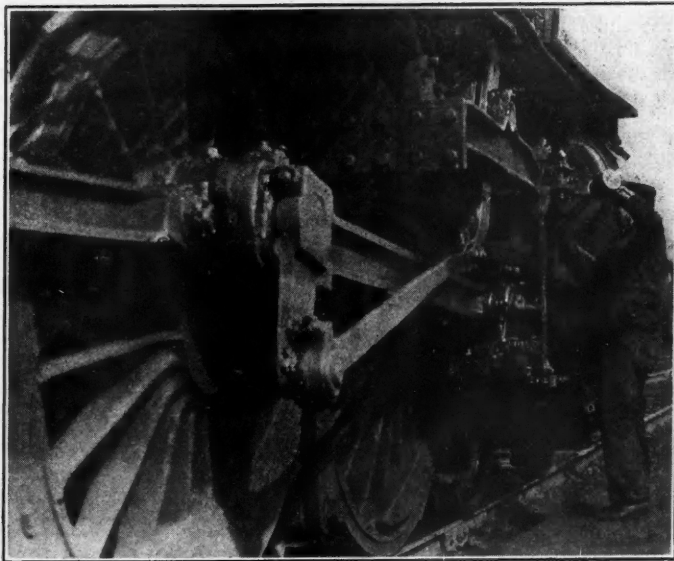
If improvement and changes, as indicated, do not materialize, either weak roads must go into receivership or the government must take them over. A prominent railway executive told the writer, just after the recent meeting in New York of the Association of Railway Executives, at which many pressing railroad problems were considered, that he did not believe Congress would sanction taking over only those roads that could not earn their fixed charges or that could not borrow to cover deficits, and to which the Reconstruction Finance Corporation had made big loans.

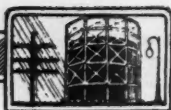
#### Political Factors Changed

Naturally, before the election, the Administration did not want any railroad receiverships. While, with the election over, and with the severe defeat of the present Administration, the same political considerations do not obtain, Mr. Hoover has clearly shown in

several important ways that he will put forth every effort possible to help bring about prosperity. He may continue to avert railroad receiverships. However great these efforts may be, if the railroads do not make larger earnings in the first three or six months of next year, something will have to be done about a considerable number of them. Some students of railroad properties believe that permitting the weaker lines to go into receivership would be a better way to help

(Please turn to page 172)





## DETROIT EDISON CO.

# Fortunes Vary With Territory Served

What Is the Significance of Recent Sharp Drop in Earnings?—What Are the Prospects of Recovery?

By FRANCIS C. FULLERTON

AT times when earnings are growing, dividends increasing, and apparently he is profiting from the right to subscribe to additional shares, a stockholder is apt to forget that a public utility is exactly what it purports to be—a business more or less regulated by the public, and wholly dependent upon the size, prosperity and desires of that public for its well-being. No public utility scales the heights unaided; it is carried on the shoulders of the district it serves. So, in the case of the Detroit Edison Co. it must never be forgotten that this company's history parallels that of the city. It has grown with Detroit, flourished with Detroit and the future holds no other prospect than that it will rise and fall with Detroit. At the present time few districts are harder hit than this one and few large public utility operating companies have experienced a greater contraction in business than the Detroit Edison Co. What does the future hold out for the city and the company which serves it with electricity, steam and gas?

Founded in 1701, Detroit is the oldest city of any size in the United States if one excepts the Eastern Seaboard. It grew steadily and with moderation for

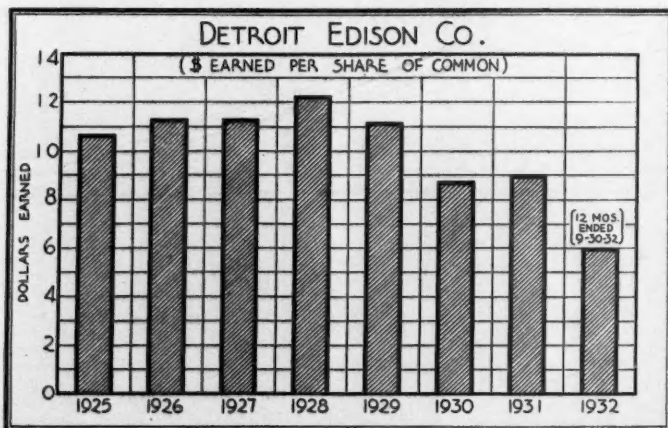
nearly 200 years and, because the town was entirely rebuilt following the disastrous fire of 1805, it entered the present century with spacious streets and parks as if in anticipation of the automobile which was to bring it so much fame and prosperity. Detroit had a population of about 280,000 in 1899 when Robert E. Olds established an automobile plant there. Within the next few years came the Cadillac, Ford and Packard and in 1904 the census first reported the automobile as a separate industry, employing something in excess of 2,000 men and having an annual output valued at more than \$6,000,000.

Detroit was well situated to be the center of the new industry. Carriage making had employed large quantities of skilled workmen in neighboring cities and these could be drawn upon. Raw

materials were available within easy distance. As the automobile industry prospered so did other miscellaneous manufacturing. Retail trade boomed; real estate soared. In thirty years Detroit's population increased from less than 300,000 to more than 1,500,000 and it became the fourth largest city in the United States and the third most important in the value of its manufactures.

Given such favorable conditions, a public utility organized in 1903 could hardly fail to be successful. At the end of 1904, the Detroit Edison Co. had less than 9,000 electric meters in operation, whereas at the end of last year there were nearly 550,000. While these were not all situated in the city of Detroit, for the company has expanded to take in neighboring territory and serves a population about half as

large again as that of Detroit proper, it serves to show how the company has grown. Despite the fact that the district served by the Detroit Edison Co. is not one single municipality, it is compact, and for practical purposes may be considered as one and subject to the same influences. In addition to the electric business from which the company derives about 95% of gross revenues, a steam



service in the central part of Detroit is not unimportant. Also, gas is furnished to more than 11,000 customers.

Owing to the phenomenal growth in its field of operation, the Detroit Edison Co. has been constantly in the market for new capital in order to make necessary improvements and additions. Bonds have been sold steadily and there has been a veritable flood of offerings to old stockholders. Yet with it all, the company has been careful to keep a well-balanced capital structure. Indeed, over the past ten years the capital structure has been improved. This is fortunate, for under other conditions the decline in business which has taken place since 1929 might well have had serious consequences.

In 1921, Detroit Edison's funded debt represented about 70% of the total capitalization and about 75% of the gross value assigned to plant. At the end of 1931, the company's funded debt represented only half the total capitalization and about 46% of the gross value assigned to plant. It is, however, indicative of the sharp decline in business which has been experienced lately that gross revenues in both the years 1921 and 1931 were equivalent to 36 cents per dollar of funded debt in each case. Taking the company's latest report, gross revenues for dollar of funded debt would actually be less than in 1921, despite the clear improvement which has been made in capitalization.

Nevertheless, an improved capitalization in itself is not an active reagent in offsetting the adverse effects of depression. True, it is excellent insurance against financial embarrassment. It does not, however, contribute one single dollar to gross revenues. In the case of the Detroit Edison Co. gross operating revenues fell from a peak of \$56,558,279 in 1929 to \$49,232,501 in 1931. For the twelve months ended September 30, 1932, a further decline to \$45,119,000 was experienced. On a per-share basis, the company showed earnings of \$6 on 1,272,260 shares of capital stock for the twelve months ended September 30, 1932, \$7.02 for the twelve months ended June 30, and

\$7.88 for the twelve months ended April 30. For the calendar years 1929, 1930 and 1931, per-share earnings were \$11.16, \$8.75 and \$8.98 respectively.

#### *Earnings Decline With Motor Output*

Charting the decline in the company's earnings for the present year, there is every reason to believe that third quarter earnings were little, if anything, in excess of \$1 a share. The regular annual dividend was recently reduced from \$8 to \$6, but should our estimate for the third quarter be correct it will take a marked betterment in business to make even the reduced rate wholly assured.

It is, of course, the slump in the

is currently operating. The lessened activity in automobile and other manufacturing has brought about a smaller demand for power. Unemployment has resulted in reduced requirements of electricity on the part of steam and electric railroads. Indeed, a number of the latter are actually in bankruptcy and the receivers are substituting buses which represent a permanent loss so far as the Detroit Edison is concerned. A number of smaller municipalities, in a frantic effort to reduce expenditures, have cut their street illumination. The generally depressed conditions have caused the closing of a large number of retail stores. Finally, individuals have economized on their light, power, heat and fuel bills.

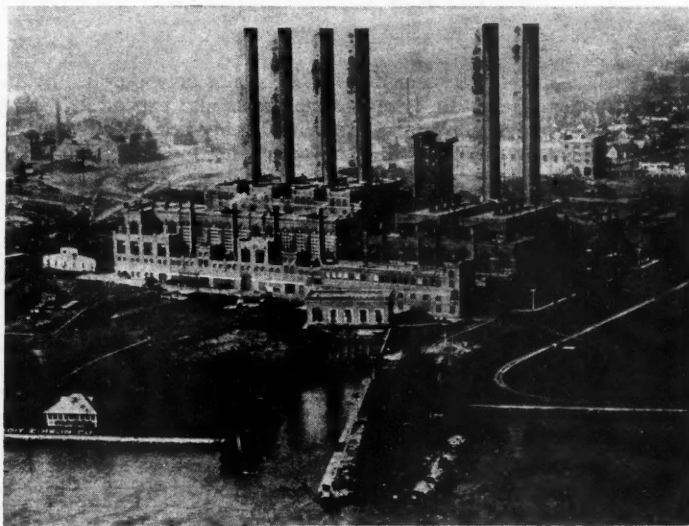
It has been impossible, of course, for the company to wholly offset these adverse factors by decreasing expenses and the present operating ratio is undoubtedly considerably higher than it was last year. For 1931 the figure was 56.5%, comparing with 55.2% for the previous year and with 54.4% for 1929. The company complained in last year's report that there was a further increase in local taxes, but that there was such general resentment that it was tempted to hope for reductions.

As if a greatly reduced business and

higher taxes were not enough adversity at one time, the City of Detroit is demanding through the Michigan Public Utilities Commission that the Detroit Edison Co. reduce its rates in all classes of service. The City contends that the company earned \$1,900,000 last year in excess of the legal allowance based upon adequate return on investment. While it is impossible to gauge the ultimate outcome, it might be mentioned that Detroit Edison's president does not expect the City to succeed in forcing a reduction.

All the adverse influences under which the Detroit Edison Co. is operating at the present time, however, would disappear, or at least be mitigated greatly, if the territory could only regain a modicum of prosperity. And this, for the near future seems to depend primarily upon the automobile industry. What are the chances of

(Please turn to page 174)



*Detroit Edison's Debray Plant*

automobile industry which is primarily responsible for the trouble. In 1929, the country produced some 5,400,000 cars, trucks and taxicabs, while in the following year there was a decline to 3,400,000 and in 1931 a further decline to 2,400,000. Estimated production for the present year is around 1,300,000 units. Naturally, industries catering to the automobile have suffered similarly. Even those having nothing whatsoever to do with automobiles have been almost as badly hit. In Detroit payrolls have been reduced drastically. There has been much unemployment. Furthermore, the previous decade of unprecedented prosperity brought about a wildly ambitious program of public works, education schemes and other things which make it so hard for municipalities to reduce taxes in times of depression.

This, roughly, is the background against which the Detroit Edison Co.



# Among the First to Benefit from Improvement in Merchandising

With Retail Trade on the Up Grade, Strong Companies in Three Major Divisions Appear in Attractive Position

By ARTHUR L. VAN HORNE

**A**S analyzed in the preceding issue of THE MAGAZINE OF WALL STREET, retail trade appears to have turned the corner. A more stable commodity price trend gives promise of halting abnormal inventory losses. The volume of merchandising sales has turned upward. The leading merchandising companies have succeeded in substantially lowering their operating costs, with the result that for the stronger enterprises in this field the present setting is one of enhanced opportunity. It is on this prospect that stocks of three companies, all outstanding but each differing in important respects from the others, are herewith analyzed.

## Montgomery Ward

For Montgomery Ward & Co., one of the largest retail distributors in the country, depression has proved a doubly severe trial because, as also in the case of its larger rival, Sears, Roebuck & Co., it caught the company in a period of internal transition and reorganization.

It became evident by 1925 that mail-order sales and profits were showing a tendency to flatten out. This was due in part to a persistently downward trend in farm purchasing power, on which Montgomery Ward was largely dependent, but also to the development of the automobile and of good roads. More and more farmers began to drive to the closest town to do their shopping.

Montgomery Ward met this problem by going into the chain store business, as did Sears, Roebuck. It now operates sixteen large department stores and approximately 475 smaller retail store outlets. The importance of the change of policy can be readily grasped from the fact that the store division now contributes approximately 55 per cent of the corporation's total sales. Not only has part of the original agricultural demand been conserved through store outlets, but these also have tapped an important urban demand for the first time.

The result is that the company's gross business as compared with

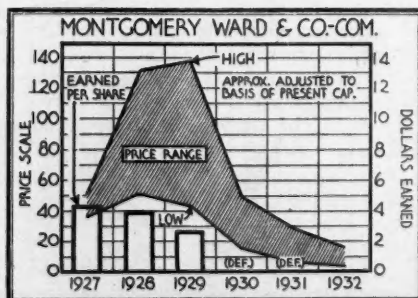
1924 has not only been maintained but expanded. For a time profits also expanded, the 1928 high record of \$17,703,000 being nearly double the profit of 1924. It is now apparent, however, that, whatever the necessity, the boom years following 1925 constituted a far from ideal period for heavy and expensive expansion. The venture into a new line presented a multitude of operating and personnel problems.

It was this internal situation, as well as the rapid decline of sales in depression, that has accounted for the shrinkage in earning power in recent years. The company lost \$8,712,000 in 1931, the bulk of the loss representing inventory write-down. The deficit for the first half of 1932 was \$3,267,000, also largely an inventory loss.

During the past year the company has undergone drastic adjustments under a new and exceptionally able management. Property values have been written down. More efficient operating methods have been devised. Costs have been lowered. Aided by the more stable movement of commodity prices and by a substantial gain in consumer demand in recent weeks, these policies have now begun to show results. Whereas a sales volume of \$18,000,000 per month was required a year ago to break even, the company now apparently can profit on any volume above \$13,000,000 a month. It did, in fact, show a profit of \$395,000 for the month of September.

Admittedly, this situation is speculative, but that is its attraction. The company has no funded debt or bank loans, capitalization consisting of 205,000 shares of \$7 cumulative Class "A" stock and 4,514,193 shares of common. Thus, the common stock is in a position to participate quickly in any future recovery of earning power. Working capital

position is notably strong, current assets being approximately \$102,000,000, including \$17,344,000 cash and \$16,484,000 marketable securities, and current liabilities only \$6,919,000. The stock, recently available around \$12 per share, is suitable for speculative accumulation even though amply priced on immediate prospects. Precisely the same speculative recommendation can be made for Sears, Roebuck, whose position and prospect was analyzed in the



preceding issue of the MAGAZINE OF WALL STREET.

## J. C. Penney

The J. C. Penney Co. has the distinction of maintaining a substantial volume of earning power throughout the depression, earnings on its common having been 81 cents a share for the first half of this year and being estimated at \$2 for the full year, as compared with \$3.13 in 1931, \$2.88 in 1930 and \$4.66 in 1929.

There are several reasons for this record. The management has long experience in its particular field and through profit-sharing or bonus methods has been notably successful in stimulating localized branch-manager enterprise while retaining the advantages of a managerial control which, while centralized, is highly flexible. The company's policies today are essentially what they were to start with, their soundness being attested by the relatively superior performance of the enterprise in depression.

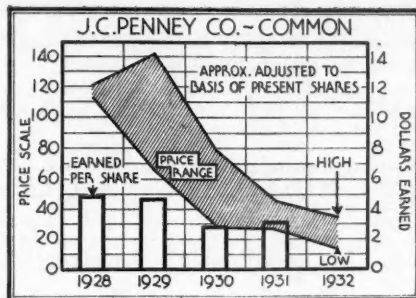
The company specializes in a limited number of merchandising lines, notably wearing apparel and allied textile and leather products. Its emphasis always has been upon utility goods within a moderate price range. It is able to buy goods in vast quantities and to pay cash. It likewise sells for cash only, eliminating collection and credit costs. These methods, as well as specialization for years on a limited line of products, account for a remarkably high degree of operating efficiency.

The Penney policies were not importantly affected by the boom. Financed largely out of surplus earnings, the number of stores has been consistently and conservatively expanded, increasing from some 200 stores to 1,475 in the last twelve years. The territory now served covers virtually the entire country. Most stores are situated in relatively small communities where the company's specialized lines have a competitive advantage. It has been possible in such communities to keep leases on a relatively satisfactory basis, with the result that Penney's "lease problem" is far less important than that of various other merchants.

Thanks largely to emphasis upon utility goods at low price, Penney sales have held up relatively well. With gains every year, the total expanded from \$46,641,000 in 1921 to \$209,690,000 in the record year 1929. There was a decline to \$192,943,000 in 1930 and to \$173,705,000 in 1931. The 1932 total will show further recession, but the entire drop is roughly proportionate to the decline in dollar values, the physical volume of sales comparing very favorably with that of 1929.

Net income, which was only \$1,254,000 in 1921, advanced to a peak of \$12,413,000 in 1929, and receded to \$8,913,000 in 1931. The company's average net earnings for the three-year depression period, including estimated results for 1932, compares favorably with the average results for the generally satisfactory years 1923-1926.

Because of its leasing policy, the company's property investment is relatively small, the total being scarcely more than \$15,000,000 for an enterprise with total assets of more than \$71,000,000. As of June 30, current assets were \$54,352,000, including \$8,527,000 cash, and current liabilities only



and excellent financial standing merit investment interest in both the preferred and common stocks. The latter currently is quoted around \$21 a share, at which level the present dividend of \$1.80 per year offers a yield of approximately 8.5 per cent.

## R. H. Macy & Co.

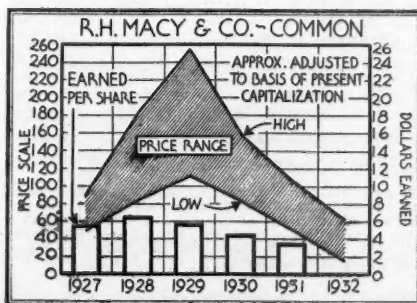
R. H. Macy & Co. is the largest and best known department store enterprise in the country, its main store in New York City normally handling a sales volume of around \$100,000,000 a year. This vast and concentrated business is entirely upon a cash basis. In its urban nature it, of course, involves a relatively high fixed property investment as compared with Penney or other chains, but, conversely, its inventory, relative to sales volume, is much smaller than that of enterprises like Penney or Montgomery Ward.

The latest available balance sheet, covering the year ended January 30, 1932, and including operations of L. Bamberger & Co. and two lesser subsidiaries, showed inventory of \$12,757,000 or about the same as in the preceding year. Since net sales of Macy and its associated stores for that year were \$132,729,000, it is obvious that the business is characterized by a remarkably rapid turnover of stock.

Because of this fact inventory losses caused by the declining trend of commodity prices throughout the depression constitute a far less serious problem for Macy than for many other merchandising enterprises. Aside from the shrinkage in consumer demand, now apparently reversed, the Macy problem in depression has been one of extensive internal adjustment, complicated by the fact that the company happened to launch a major expansion program shortly before the general economic relapse set in.

Macy's is one of the oldest establishments in the country, but its growth has been fastest since 1921. This expansion has included acquisition of interests in the stores of La Salle & Koch, of Toledo, and of the Davison-Paxon Co. in Atlanta. In 1929 Macy's obtained control of L. Bamberger & Co., of Newark, N. J., known throughout the nation through its radio station WOR as "one of America's great stores." This acquisition expanded sales volume by, roughly, one-third. Moreover, through recently completed construction the facilities of the main store in New York City have been expanded by approximately 25 per cent, providing space probably sufficient to handle a future business of \$150,000,000 a year.

The absorption of Bamberger's (Please turn to page 179)



# Speculative Possibilities Among Investment Trusts

A Selected Group of Well Managed Companies in Strong Financial and Portfolio Position

By WARD GATES

IN searching for good buying opportunities in investment trusts, the first thought should be the integrity and ability of the management. This automatically bars from consideration trusts of the fixed type which really have no management, in that the original portfolio selected is not subject to change and stockholders must sink or swim with the securities held, regardless of economic changes that a smart management could take advantage of. Of course, it is no easy matter to judge just how good a management is. However, as the article entitled "Investment Trusts Under the Microscope," which appeared in the issue of October 29, 1932, shows by comparisons, a prolonged depression is about as good a test of managerial ability as can be found. While nearly all investment trusts made serious errors and misjudged the extent of the decline in security values, quite a few who rectified their early mistakes, by disposing of securities of doubtful value and building up a cash reserve, now find themselves in a sound position, and today, able to take due advantage of attractive investment opportunities as they occur. The integrity of the management can be gauged by the lines along which the affairs of the investment trust have been run. If there is any indication that it has been used as a dumping ground for securities in which the management had an interest, such trusts had best be avoided. Also, it is desirable to have represented on the board of directors men who have an established position in the financial community.

Having given the proper amount of thought to the question of management, the next most important factor to con-

sider is what the portfolio of the trust contains. Obviously, it is desirable to know, if possible, exactly what you are buying. Insistence on late and detailed information eliminates consideration of many management investment trusts which may be good but have adopted a policy of withholding from their stockholders important or up-to-date information. For example, American International Corp. has a board of directors including many men of high standing and unusual ability, but while a complete list of its security holdings was published as of December 31, 1931 (with a break-up value for the common stock as of that date amounting to \$5.46 a share) there is no information available as to what its holdings consist of at the present time, or what the break-up value is now. Adams Express is another investment trust with outstanding

financial figures on its board of directors, on which no information is available with regard to its portfolio since the close of 1931, although it was announced that at the end of August, 1932, the stock had a break-up value of between \$4 and \$5 per share. In the case of issues such as these it would appear advisable to defer purchases until the next annual report is available for examination. But aside from such issues several trusts both on the basis of their record in depression as well as on the basis of their present financial position and contents of their portfolios, appear to offer at present low prices better than average speculative opportunity.

## Lehman Corporation

This management investment trust, incorporated in September, 1929, publishes a complete list of its security holdings twice a year, and recently has adopted the policy of announcing the break-up value of its stock every three months. The accompanying table shows how well diversified its investments are among various groups of securities. The list of holdings is too extensive to publish in detail in this article but in each group the general policy of the company has been to select the securities of strong and highly regarded companies. There has been a tendency on the part of the management to favor dividend-paying stocks and as a result of this policy, the company's income from dividend and interest payments has been relatively well sustained. For the year ended June 30, 1932, total income before deducting losses on securities sold, was \$2,008,858 of which \$1,988,715 was paid out in dividends. At

### Lehman Corporation's Well Diversified Position

(as of June 30, 1932)

Cash and Equivalent .....	\$15,446,946
Bonds other than Government .....	2,699,907
Preferred Stocks .....	2,948,539
Common Stock—	
Banking and Finance .....	3,544,536
Merchandising .....	6,601,993
Public Utilities .....	5,731,105
Manufacturing .....	5,394,487
Food Products .....	2,073,968
Railroads .....	1,494,538
Oils .....	1,101,806
Tobacco .....	1,406,301
Metals and Mining .....	3,206,380
Electrical Equipment, etc. ....	1,813,754
Real Estate Investments .....	2,618,636
Loans and Advances .....	2,165,825

Assets valued at market quotations, together with cash aggregated \$68,793,361 and assets having no market quotations, taken at fair value aggregated \$4,345,999. On this basis break up value of the stock June 30, 1932, was \$67.31 (Sept. 30, 1932, break up value had increased to \$68.70).

the present time, dividends are being paid at the rate of \$2.40 per share per annum.

Among the more important common stock holdings as shown on the June 30th, 1932 list, is included 18,258 shares of American Gas & Electric, 31,600 shares of General Electric, 50,000 shares of Kroger Grocery & Baking, 15,000 shares of American Tobacco B, 25,000 shares of Brooklyn Manhattan Transit, 17,000 shares of Corn Products Refining, 40,000 shares of International Nickel, 31,000 shares of National Dairy Products, 25,000 shares of J. C. Penney, 29,300 shares of United Gas Improvement, 10,900 shares of F. W. Woolworth and 16,000 shares of P. Lorillard.

Provisions of management contract with Lehman Bros. provide that subject to a protection of 6% on invested capital, management compensation would be 12½% of the net realized profits, which managers would be obliged to use to purchase corporation common stock at book value.

Since the organization of this trust in September, 1929, there has been every evidence that it is being managed along conservative lines, cash and its equivalent having been steadily maintained at a relatively high figure. The original capital consisted of 1,000,000 shares of no par value, but by purchases in the open market and cancellation, the outstanding stock has been reduced up to the present time to 686,800 shares. At present levels of 45, the stock is selling at a very substantial discount from its break-up value (see table).

#### Fourth National Investors

Fourth National Investors, one of a group which is managed by the National Investors Corporation, gives to stockholders very complete details in regard to its affairs including any portfolio changes that take place within a three months period. The accompanying table shows a complete list of the securities held on September

### Fourth National Investors

Break up value November 12, 1932

	No. Shares	Price	Market Value	Per Share
American Gas & Electric.....	4,500	30	\$136,000	\$30.370
American Tel. & Tel. ....	10,000	112	1,120,000	2.240
American Tobacco "B" .....	10,000	72	720,000	1.598
Borden .....	15,500	27	419,000	0.834
Consolidated Gas .....	3,300	61	567,000	1.134
Continental Can .....	20,000	35	700,000	1.400
Detroit Edison .....	5,000	80	400,000	0.800
Drug, Inc. ....	7,500	38	285,000	0.570
Du Pont .....	6,900	99	642,000	0.494
First National Stores .....	11,500	51	586,000	1.172
General Foods .....	11,300	28	306,000	0.812
International Business Machines	2,700	100	\$70,000	0.640
Kresge .....	6,000	11	66,000	0.136
Otis Elevator .....	6,900	13	90,000	0.180
Pacific Gas & Electric .....	17,000	28	476,000	0.962
Penney, J. C. ....	12,400	28	285,000	0.570
Procter & Gamble .....	6,800	31	213,000	0.406
Safeway Stores .....	12,600	52	655,000	1.310
Sears, Roebuck .....	3,200	21	172,000	0.944
Southern California Edison.....	17,000	26	442,000	0.834
Underwood-Elliott-Fisher .....	6,000	16	96,000	0.192
United Biscuit .....	10,000	19	190,000	0.380
U. S. Gypsum .....	3,600	24	86,000	0.172
<b>Total .....</b>			<b>\$8,594,000</b>	<b>\$17.13</b>
Cash and Equivalent .....			<b>4,186,565</b>	<b>8.26</b>
<b>Total .....</b>			<b>\$12,690,565</b>	<b>\$25.39</b>

30th, 1932, with the current market value and just what equity the holder of a share of Fourth National stock has in each particular security. Theoretically, the purchaser of investment trust stocks should always have this information, but practically, there are not many instances where he can obtain it in such exact detail. It will be noted that an unusually sound as well as well diversified list of securities is held, and also that nearly one-third of the company's total assets is represented by cash or its equivalent so that it is in a position to take advantage of further buying opportunities as they present themselves. At the present price level, around 19, the stock is selling at a considerable discount from

Gordon; N. Y.); Robert O. Lord (Pres. Guardian National Bank of Commerce, Detroit); Robert A. Lovett (Brown Bros. Harriman & Co., N. Y.); M. Haddon MacLean (Vice-Pres. Harris Trust & Savings Bank Chicago); Walter S. McLucas (Chrm. Commerce Trust Co., Kansas City); Warren M. Persons (N. Y.); Fred Y. Presley; George F. Rand (Pres. Marine Trust Co. of Buffalo); B. A. Tompkins (Vice-Pres. Bankers Trust Co., N. Y.).

Early in 1931, the company adopted the plan of distributing to stockholders semi-annually approximately all income from cash, dividends and interest after deducting expenses. An initial dividend of 55 cents was paid July 1, 1931, with a similar payment on January 1, 1932, and 60 cents on July 1, 1932.

### Standard Investing Corporation's Portfolio

(as of June 30, 1932)

	Market Value
Cash and Equivalent .....	\$3,945,616
Domestic Corporation Bonds .....	1,433,072
Foreign Bonds .....	24,187
Domestic Stocks—	
Rails .....	195,875
Industrials .....	508,500
Utilities .....	179,483
Financial and Insurance .....	181,010
Foreign Stocks .....	1,712
Net assets (market value) were equal June 30, 1932, to \$680 for each \$1,000 of debenture bonds outstanding.	

### Standard Investing Corporation

Formed early in 1927, this investment trust suffered very severely from the great depreciation in security values which took place from the Fall of 1929 on, and as a consequence, equity for its common shares has been entirely wiped out and it does not appear that any value is likely to be established for the common shares in the near future. The chief interest in this situation lies in the position of the company's debentures.

On June 30, 1932, there was \$3,577,-  
000 5% debentures,  
due 1937, and \$3,-  
687,000 5½% debentures,  
due 1939, out-  
standing. The market  
value of the com-  
pany's assets on that  
date was equal to  
\$880 for each \$1,000  
of debenture bonds.  
No information has  
been given out by the  
company as to any  
changes in the port-  
folio since that time,  
and hence, it is im-  
possible to definitely  
state what the exact  
value is at the pres-  
ent time. There is no  
reason to assume,  
however, that the  
company disposed of  
any important amount

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# "Preferreds" Offer Investment Opportunities

Variety of Strong Preferred Stocks Attractive for Income and Price Appreciation

By J. C. CLIFFORD

THE first part of the current depression was virtually without serious financial trouble. The phase of acute financial crisis, however, commenced a little over a year ago. Its aftermath has been the over-stressing of safety in investment. Gilt-edged bonds are now so high that investors are being forced to look elsewhere for a reasonably high rate of return on their capital. That they are turning to the better grade of preferred stock is perfectly logical, for these issues have been neglected in the rush for safety at any cost. As a class, taking into consideration comparative safety of principal and assurance of income, preferreds are now relatively cheaper than the more fashionable bond. Of course, should an individual for particular rea-

sons of his own continue to require the ultimate in safety, he is still confined to mortgage bonds or Government obligations. But for the average man the time for these has gone. He need not pay the premium demanded.

It is to help the investor who is tired of a nominal return on his capital that we prepared the accompanying table of preferred stocks. It contains a great variety of issues. For practical purposes some are actually as good as high grade bonds and, if they were only called "debenture" instead of "preferred stock," undoubtedly they would be selling at higher levels. Others are less strong; but none can be called speculative in the commonly accepted sense.

Apart from the relatively greater

desirability of preferred stocks over bonds from the point of view of return and its assurance, there are two other points to be remembered. The first of these is that some of the larger preferred issues enjoy a much higher degree of marketability than is accorded any bond. What corporate bond, for example, can compare with the preferred stock of Consolidated Gas of New York for year-round activity and a narrowness of spread between bid and asked prices? The second point to be remembered is that the average man will save in income tax by buying preferreds rather than bonds. This might easily become an even more important consideration in the near future as Congress recommences its efforts to balance the Federal budget.

## Among the Better Preferred Stocks

Company	No. of Shares Outstanding	Earned per Share			Price		Div. \$	Yield %	COMMENT
		1930	1931	1932	Call	Recent			
American Tobacco .....	536,997	\$2.16	\$7.64	NF	No	113	6	5.3	Despite the prospect for somewhat smaller earnings this year, issue is very strong.
Archer-Daniels-Midland .....	53,613	NF	26.37 <sup>‡</sup>	6.13 <sup>†</sup>	115	96	7	7.3	Dividend continues to be well covered.
Coca-Cola "A" .....	691,380	17.49	20.28	8.86 <sup>b</sup>	52.50	47	3	6.4	Being steadily bought by the company itself.
Colgate-Palmolive-Peet .....	255,063	49.51	29.79	4.03 <sup>b</sup>	102.50	84	6	7.1	Recent earnings off. Near future likely to be better.
Con. Gas of New York .....	2,099,249	32.69	32.00	28.00 <sup>E</sup>	105	96	5	5.2	No reason to expect anything which would endanger the dividend on this issue.
Corn Products Refining .....	250,000	56.27	38.71	25.86 <sup>a</sup>	No	135	7	5.2	In addition to great dividend coverage, company is exceedingly strong financially.
Du Pont de Nemours Deb. ....	1,089,535	56.22	48.41	15.11 <sup>a</sup>	125	101	6	5.9	Company hard hit, but its own operations alone should yield enough to cover debenture dividends.
Eastman Kodak .....	61,657	330.11	217.47	NF	No	120	8	5.0	Huge coverage for preferred dividends.
General Mills .....	226,664	20.03 <sup>*</sup>	16.44 <sup>*</sup>	17.17 <sup>*</sup>	115	94	6	6.4	Company's business more than ordinarily stable.
General Motors .....	1,875,366	81.99	51.66	5.63 <sup>a</sup>	120	75	5	6.7	Dividend may not be covered this year, but likely to do better in 1933.
Liggett & Myers .....	225,141	106.61	102.70	NF	No	125	7	5.6	Lower earnings expected, but this issue is in no danger.
Loose-Wiles .....	37,142	63.47	53.63	26.35 <sup>a</sup>	120	112	7	6.3	Recent earnings lower, though coverage still ample.
Matheson Alkali .....	24,610	84.69	56.65	22.29 <sup>a</sup>	No	97	7	7.2	Small well-protected issue.
National Biscuit .....	243,045	92.24	79.53	50.00 <sup>a</sup>	No	133	7	5.3	High grade industrial preferred, whose dividend is thoroughly assured.
National Lead "A" .....	243,676	19.19	16.51	NF	No	105	7	6.7	Company occupies an enviable position in its field.
New York Steam .....	55,070	17.03	20.19	16.20 <sup>‡</sup>	105	97	6	6.2	Company expanding. Preferred well protected.
New York Telephone .....	250,000	121.92	141.30	NF	110	114	6.50	5.7	If term can apply to preferred, this is gilt-edged.
Pacific Tel. & Tel. ....	320,000	21.53	22.94	14.91 <sup>a</sup>	No	105	6	5.7	Despite some loss of business, issue is still strong.
Procter & Gamble .....	165,625	178.16 <sup>‡</sup>	130.97 <sup>‡</sup>	54.05 <sup>‡</sup>	115	97	5	5.2	Latest earnings lower, but this issue is in no danger.
Public Service of N. J. ....	518,497	21.74	18.85	17.00 <sup>E</sup>	No	84	5	6.0	May be classed as a businessman's investment.
Standard Brands .....	95,000	111.03	150.30	119.01 <sup>a</sup>	120	121	7	5.8	Dividend coverage huge. Large block of preferred retired, strengthening remainder.
Standard Oil Export .....	764,935	5.42	2.51	NF	110	98	5	5.1	Dividend guaranteed by several important oil cos.
United Gas Improvement .....	765,216	74.56	49.30	34.37 <sup>a</sup>	110	96	5	5.2	A strong utility holding company preferred.

NF—Not available. † One quarter only ended Oct. 1. E—Estimated. ‡ On combined preferred, year ended Sept. 30. § Year ended June 30, 1932. \* Year ended May 31. ‡ Year ended June 30. a Nine months only. b Six months only.

## After Three Years of Depression—

# What Is the Investment Outlook For These Companies?

THESE analyses are designed to give a concise picture of how prominent companies in which readers may be present or prospective partners are meeting the difficulties of these unusual times. All of them are not to be construed as recommendations. In fact, numerous companies in an unfavorable position are frankly discussed as well as those more fortunately situated. Selections may of course be made from those favorably described but even in these it is recommended that commitments be assumed only in accordance with the counsel given in the market article which appears in each issue of this magazine.

### Colgate-Palmolive-Peet Co.

Price Range — 1932			Div.	Yield
High	Low	Recent	\$	%
31½	11	14	1.00	7.1
Latest earnings per share (6 mos. to 6/30/32)				\$0.13
Net quick assets per share (6/30/32)				\$16.98

IF lineage is any guarantee of strength then the Colgate-Palmolive-Peet Co., whose principal constituents have successfully weathered nearly every business storm in our history, should be able to survive the present depression. The Palmolive Co. was founded in 1864. Colgate began business so far back as 1806, and was merged with Palmolive in 1928. Peet Bros. started as a partnership in 1872, and was taken into the present merger in 1926. In 1930, Kirkman & Son joined the consolidation, and then last year the Omega Chemical Co. was absorbed. The company also has an exclusive agency for the sale in this country and Canada of the vaseline products of the Chesebrough Mfg. Co., and a subsidiary in Italy deals in olive oil.

The company operates five domestic manufacturing plants, and local factories in Canada, Mexico, Cuba, England, Australia and France, with agencies all over the world, for the production and sale of nationally and internationally advertised cleansing agents, dentifrices, talcum powders, shaving creams, and other soap products. It is the second largest unit in this country and in foreign fields. While some of its business is in private brands, the bulk of its sales consists of such well known brands as Palmolive soap, shaving cream and shampoo; Octagon; Fab and others. The laundry and general purpose soaps move in the largest volume, though the company's specialties contribute most to the profits.

Earnings rose to a maximum of \$4.03 a share in 1929, and fell off less than 25% during the first two years of the depression. During the first six months of the present year, however, while tonnage volume has held up as well as could be expected in the face of diminished public purchasing power and intensified competition, the prices obtainable for finished products have dropped so much faster than the cost of raw material that per-share earnings nosedived to \$0.13, and the dividend of \$2.50, which had been maintained steadily since 1929 has just been cut to \$1. It seems doubtful if even this reduced dividend

will be earned this year and, although cash and marketable securities amount to \$6.13 a share, the company is spending a million monthly on the advertising which is essential to maintain its competitive position in the trade; so that it may become advisable to omit dividends in order to conserve cash, unless general business conditions improve in the near future at a more rapid rate than now seems likely. The stock should therefore be purchased with a view to its long term possibilities, rather with an eye to immediate income yield.

### Cream of Wheat Corp.

Price Range — 1932			Div.	Yield
High	Low	Recent	\$	%
26½	13½	25	2.00	8.0
Latest earnings per share (9 mos. to 9/30/32)				\$1.65
Net quick assets per share (7/31/32)				\$4.19

THE Cream of Wheat Corp. has concentrated for thirty-five years on the manufacture and sale of just one nationally-advertised product, and is making a success of it, even in these trying times. Cream of Wheat, in competition with numerous other breakfast foods, is sold steadily by practically every wholesale and retail grocery and chain store in the United States and Canada, and is on the menu of countless residents of many foreign countries. The company was practically a closed corporation until 1929 when, through a 1,500 to 1 split-up, some of the shares became available to the investing public.

Earnings have expanded consistently since the business was founded in 1897, and reached a peak of \$3.13 a share in 1929. It is a strong testimonial to the popularity of the company's product that earnings this year are likely to be around \$2.50 a share, or only 20% below those of boom times. The treasury is strong in cash assets and, as there are no bonds, notes, nor preferred stock ahead of the common, and no unusual expenditures for expansion are required, there appears no reason why the present dividend rate of \$2 regular, plus extras, should not be maintained. As an issue with possibilities of sharing in the next business revival, while in the meantime yielding a liberal current income, the common stock, if purchased on re-

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actions, seems well worth including in a diversified portfolio.

## Otis Elevator Co.

Price Range — 1932			Div.	Yield
High	Low	Recent	\$	%
22½	9	12	1.00	8.3
Latest earnings per share (9 mos. to 9/30/32)				\$0.32
Net quick assets per share (7/31/32)				\$10.50

INCORPORATED in 1898 as a consolidation of a number of smaller companies, the Otis Elevator Co. has expanded consistently until of recent years its domestic business covers around 70% of the country's elevator installations. It is the only known producer of escalators. Through associated companies, Otis operates in 40 of the principal countries of the world, and last year the profits from its foreign business accounted for approximately 30% of net income from all sources.

Owing to the practical cessation of new building activities, earnings have suffered severely during the depression—dropping from an all time high of \$3.99 a share in 1929 to only 32 cents during the first nine months of the current year. During the first eight months foreign sales, with a drop of only 35% from the corresponding period in 1931, suffered less than domestic sales, which are reported to have declined more than 50%. Owing to the dearth of new business, the company has been driven to an unusual extent into the highly competitive small job field where profits are nominal. Thus it has been necessary to cut the common dividend to the current rate of \$1 from the \$2.50 rate that was maintained a year ago.

Fortunately the company is strong enough in cash assets, with no bonds nor bank loans outstanding, to pull through the rather tedious period which probably lies ahead before building is again resumed on a sufficiently large scale to permit of any substantial recovery in earnings. In the meantime, however, even the present dividend may have to be cut or omitted. At current level of around \$12 the common stock appears to be conservatively priced as a long pull commitment, in view of the company's strongly entrenched position in the industry and the high current asset value of the shares in relation to market price.

## Hershey Chocolate Corp.

Price Range — 1932			Div.	Yield
High	Low	Recent	\$	%
83	43½	56	6.00	10.7
Latest earnings per share (9 mos. to 9/30/32)				\$4.27
Net quick assets per share (9/30/32)				\$3.64

THERE is much that is unusual about the Hershey Chocolate Corp. As the largest producer of chocolate bars, cooking and beverage cocoa and cocoa syrups in the United States it has achieved a nation-wide distribution of its products among chain stores and countless retail outlets without extensive advertising. It stocks up heavily with cocoa purchased in the open market at times when the management believes prices to be favorable, obtains much of its milk from the company's own subsidiaries, receives part of its sugar from Cuban property owned by M. S. Hershey, who is chairman of the board, and maintains its profit margin by adjusting the size of its chocolate bars. Thus the company has no worries over inventory losses. The success of this policy may be judged from the

fact that, while net sales had dropped in 1931 to 75% of the 1929 peak, earnings of \$8.73 last year on the common were the highest in the company's history. Still more remarkable is the circumstance that, while dividends on the common were not paid in 1928 and 1929, they were initiated in 1930 at the rate of \$5 a share, and then raised to \$6 this year. In explanation of such miracles it may be observed that net profits per dollar of sales averaged 25 cents last year against 19.6 cents in 1930, 18 cents in 1929, and 17 cents in 1928. Evidently the company enjoys the rare distinction of profiting by falling prices for raw material.

Yet, there is some evidence that this astute policy or raising unit profits to compensate for falling sales has about reached its limit, for the company reported earnings of only \$4.27 a share in the first nine months of the current year, compared with \$7.62 in the corresponding previous period.

In view of the probability that the present \$6 dividend on the common will not be quite earned this year, and considering the fact that the company was rather low in cash at the end of September, with a quarter of a million in bank loans outstanding, it is not altogether certain that the current high rate of disbursement can be maintained. In fact the present market appears to be discounting an ultimate reduction to about \$4 a share, at which rate the yield would be around 7%. With this possibility in mind, the common stock may be regarded as an issue which is likely to participate in any substantial advance in the general market, especially if this should not be accompanied by rapidly rising prices for cocoa and sugar.

## International Nickel Co. of Canada

Price Range — 1932			Div.	Yield
High	Low	Recent	\$	%
12½	3½	8	—	—
Latest earnings per share (9 mos. to 9/30/32)				Def.
Net quick assets per share (6/30/32)				\$1.75

DESPITE the fact that the price of the metal nickel has remained stable in the face of declining prices for almost every other commodity, this alone has been insufficient to prevent the International Nickel Co. of Canada from feeling quite severely the adverse effects of the current depression. The reason, of course, is that slackness in the automobile, machinery and other industries has severely curtailed the demand for nickel. Moreover, International Nickel is so situated that it must perforce produce large quantities of copper with its nickel, and in the case of copper both the demand and also the price have fallen to unprecedentedly low levels.

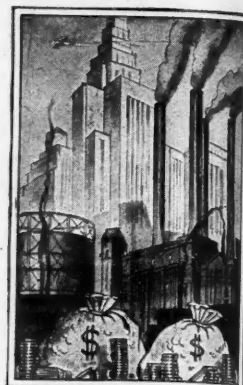
For the nine months ended September 30, 1932, Nickel reported a net loss of \$292,352 after charges and taxes, comparing with a net profit of \$4,005,856, equivalent to 17 cents a share of common, in the first nine months of 1931. Despite the loss, the company continues in a comfortable financial position. Current assets at the end of September, last, including \$4,716,692 in cash, call loans and government securities, amounted to \$28,977,335 whereas current liabilities totaled \$3,505,681.

It should be noted that International Nickel's loss in the first nine months of this year was after the deduction of \$2,535,060 for depreciation, depletion, etc. This is almost double the sum necessary to pay preferred dividends for

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# For Profit and Income



## Leverage Stocks

"Leverage" is an expression that has come into general use in financial circles since the advent of the depression. A stock with great leverage is one on which earnings per share will vary greatly with a relatively small change in net earnings of the company, due to the fact that there are large deductions from net earnings, including fixed charges, and, in some cases, preferred dividends, that are a constant factor. For example, supposing a company with 500,000 shares of common stock has total annual fixed charges and preferred dividends of \$7,000,000. Net earnings have been running at the rate of \$10,000,000 a year. Deducting the \$7,000,000 from net earnings leaves a balance of \$3,000,000 equivalent to \$6 per share on the common stock. Now supposing the net earnings of the company increased 10% or to \$11,000,000; deductions for fixed charges and preferred dividends remaining the same, this would increase earnings available for the common stock to an amount equivalent to \$8 a share or an advance of 33⅓%, and an increase in net earnings of 30% would mean an increase in earnings available for the common stock of 100%.

This, of course, works both ways. With the earnings trend down, "leverage stocks" are in the most vulnerable position, and likely to show the most drastic declines. Conversely, when the trend turns upward, these very stocks can be expected to take the leadership in the advance. New York Central is a good example of a high leverage railroad common stock. In 1931, railway operating revenues showed a decline of 20% from 1930 results, gross income showed a decline of 34% and surplus available for common dividends faded away from \$35,981,000 to \$2,430,000. Earnings per share on the common stock in 1931 amounted to \$0.49 against \$7.21 a share in 1930. What the downward earnings trend

did to the price of the common stock is one of the market's catastrophies. The high in 1930 was 192¾ and the low reached in 1931 was 24⅞.

High leverage is found in many of the stocks of the public utility holding companies. One of the best examples is United Light & Power Company. For the 12 months ended August 31, 1932, total income of the subsidiary companies amounted to \$28,580,295. After deducting all fixed charges, preferred dividends of subsidiaries and dividends accruing on the first preferred stock of the holding company, the balance available for dividends on the common stock was \$2,250,935. An increase of only 10% in the total income, it can be seen therefore, would increase the balance available for dividends on the common stock of the holding company 127% to \$5,108,000 or from 65 cents a share to \$1.47 a share.

Among the large industrial corporations, not so many instances of wide leverage exist for the reason that most of them do not carry a heavy funded debt. There are a few, however, one of which is Goodyear Tire & Rubber Co. In 1931, total income was one-third less than the amount reported in the preceding year, whereas earnings dropped to \$0.14 a share from \$3.16 a share in 1930. Obviously, an important reversal in the earnings trend could again bring a substantial earning power to the common shares.

\* \* \*

## An Increase in Salaries

A refreshing piece of news was the recent announcement of the United States Freight Co. that reductions of 16 2/3% made in salaries and wages last Spring had been restored because of an improvement in business. It was stated that tonnage in September was about equal to that of last year, but the margin of profit was higher due to substantial reductions in operating and overhead expenses. For the three

months ended September 30, 1932, U. S. Freight earned 38 cents a share on its 299,640 shares of no par common stock. In the first six months of this year, 14 cents a share was earned, making a total of 52 cents a share for the nine months. In the full 1931 year, there was a deficit of \$1.13 a share compared with a deficit of 53 cents a share in 1930, and a profit of \$3.71 a share in 1929. There is no funded debt and the balance sheet as of June 30, 1932, showed a working capital of approximately \$1,000,000. This company is one of the largest freight-forwarding companies in the United States doing a gross business of about \$25,000,000 annually. It specializes in the use of steel containers to handle small shipments on a lower cost basis than available on direct rail shipments.

\* \* \*

## The Rockefellers Can Be Wrong

The report of the Rockefeller Foundation whose finance committee is composed of John D. Rockefeller, Jr., chairman; Raymond B. Fosdick, lawyer and Walter W. Stewart, former research expert of the Federal Reserve, shows that it is human to err. Among its holdings, despite the conservative policy of this institution, are included \$2,132,000 of the 5% bonds of Samuel Insull's bubble, the Middle West Utilities Co., which were defaulted in June. Of this amount, \$1,748,000 was added at 100.14 as late as 1931. During 1930, the Foundation purchased \$384,000 at 99.9. These securities at one time were selling for around \$20 for each \$1,000 bond and, while they are currently quoted around six times this figure, a commitment could hardly have been more unsatisfactory. When a group such as this with a well-deserved reputation for conservatism and business acumen can make such an error, it serves as a striking example to investors of the importance of diversification.

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# Taking the Pulse of Business

- Prices Gain Fractionally
- Seasonal Slackening in Industry
- Money Continues Abnormally Low
- Oil Outlook Favorable
- Steel Marks Time

**T**HOUGH retail sales and forward orders in the wholesale trade have slackened somewhat more than seasonally of recent weeks, it is reassuring to observe that business returns for the periods immediately preceding and following the election have, for the most part, been favorable. On the majority of organized open markets, both at home and abroad, prices rebounded moderately after the decisive election results were known, and the atmosphere seems to be surcharged with the fresh hope that always rises when humanity turns from the disagreeable past to face a new, albeit unknown, future.

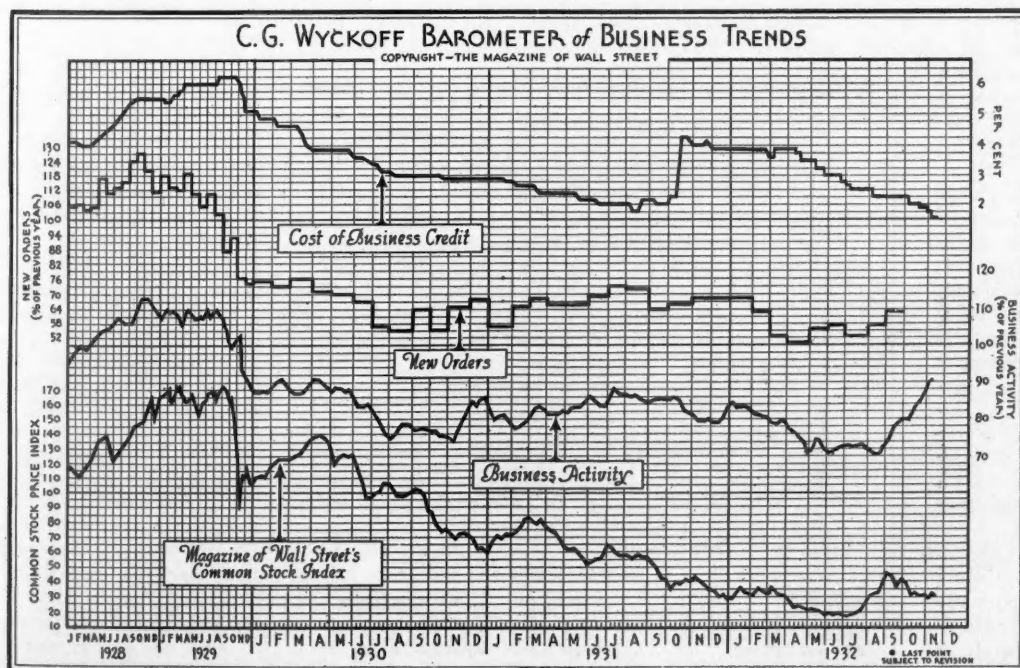
It must be admitted that this new spirit of confidence in better times ahead finds moderate justification in all four curves of the Barometer which suggest that the worst phase of the depression may be over and that, in the absence of disturbing legislation by Congress, the secular tide of production and trade is turning for the better. Such a conclusion is especially supported by the Business Activity index which has risen to the highest level attained since April of 1930. It will be recalled that this index, in addition to comparing the physical volume of production and trade with the corresponding rate a year earlier, frequently serves to indicate the business outlook. So long as the line continues to ascend, one is warranted in maintaining a hopeful view of the outlook. A like conclusion will doubtless be derivable from the New Orders index, when all returns are in for the next point on that graph; since it is indicated that this curve will then have recorded the first unbroken sequence of increases for three consecutive months that

has been witnessed since 1928.

That the slow secular improvement in business conditions which is now under way will probably continue into next year, after the usual seasonal hesitation be-

tween now and the holidays, is indicated by further ease in the Cost of Business Credit, which has receded since our last issue to the lowest level recorded in American financial history. It is generally understood, in fact, that the Federal Reserve Board's easy money policy will not be reversed in the near future; so that powerful inducement will be offered to both private and banking funds to begin expanding next year into trade channels where the returns will be more attractive than the abnormally low-interest-bearing media in which liquid funds have sought refuge during the past few years.

If the Congress which is to convene early in December, or perhaps even before on special summons, acts promptly and wisely upon the pressing problem of balancing the budget, and refrains from tampering with the currency, there are fair grounds for hoping that the coming year will witness a slow gain in employment, and that corporate deficits will gradually change into profits. Even a small gain in employment at this juncture might prove ultimately to be of almost incalculable benefit; for this would create the beginnings of a larger consumer demand for goods, and so start us upon a benign upward spiral of recovery in place of the vicious descending spiral of liquidation from which the world has suffered since 1929. In the meantime, as will be gathered from the following brief reviews of some



of the leading industries, we are entering upon a few weeks of temporary seasonal recession in a number of lines, which, however, should occasion no discouragement over the ultimate outcome.

### The Trend of Major Industries

**STEEL**—Steel operations remain unchanged at about 19% of capacity, which is 1% lower than the peak reached on the autumn recovery. The activity at tin plate mills has advanced slightly to 47% in anticipation of next year's demands, and orders are being received in somewhat larger volume from automobile makers who are bringing out new models. Railroad deficits preclude new purchases in any quantity, while the demand for pipe is practically negligible, owing to the low ebb of new construction work and efforts that are being made to curtail oil output. Inventories are low, however, and it seems likely that necessitous miscellaneous demand will save the customary year-end slackening in activity from becoming so pronounced this winter as it was a year ago. The majority of steel companies, however, will continue to operate at a loss during the fourth quarter.

**METALS**—World consumption of copper seems to be running at present a little above production, and stocks in producer's hands have fallen slightly. Prices for the red metal have risen fractionally, both at home and abroad, due to temporary stocking up in advance of the British preferential tariff upon electrolytic copper to become effective December 1. Prices for other non-ferrous metals are fairly stable around the lowest levels in a century; but demand is so light that some of the smaller producers are finding it difficult to take in enough money to meet payrolls. The nearby outlook is not encouraging.

**PETROLEUM**—Owing to a considerable falling off in the number and mileage of motor cars in operation it is authoritatively estimated that demand for gasoline during the next six months will average about 12% less than during the corresponding period a year earlier. This decrease in the volume of sales should be in large measure offset, however, by the higher prices for crude and refined products which have been made possible by gradual curtailment of output. Since stocks of gasoline are being reduced more rapidly than crude inventories, the prices received for refined products have been rising faster than the cost of crude, a situation which is gratifying to both producers and refiners. So long as these tendencies persist the outlook for oil companies may be regarded as more favorable than that in most other industries.

**AUTOMOBILES**—Owing to abnormally light stocks in dealers' hands, it seems probable

that the lowest point in passenger car output was reached in September this year, a month earlier than last year. A few makers have already started production on 1933 models, and most plants are scheduled to begin operations at a considerably higher rate next month in order to supply dealers with samples. The season of normally rising consumer demand will set in after the holidays. Several million cars have worn out and a considerable replacement demand awaits the return to more normal business conditions. The nearby outlook for most motor car companies is none too encouraging, however, on account of greatly diminished public purchasing power. Tire and accessory companies will also do a somewhat larger volume of business during the first few months of the new year; but a return to anything approaching normal profits must await recovery in the automobile industry.

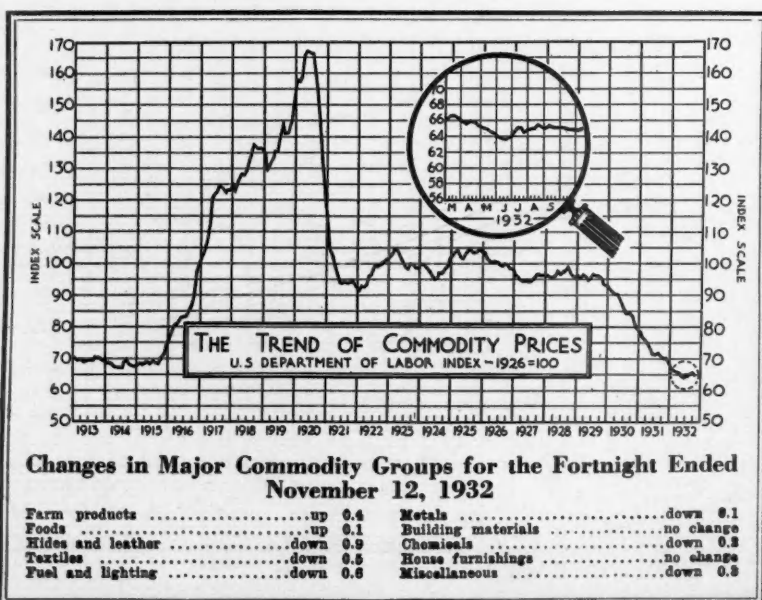
**SUGAR**—September consumption of sugar in Europe dropped 1.6% under demand registered in September, 1931. Aggravating this recession was the gain of 3.6% in European production of beet sugar in the first 10 months of this year, as compared with the similar period of 1931. Beet sugar production in the United States is 1.3% larger than 1931 output this crop year. The efforts of Cuba and Java to curtail next year's crop should, however, offset potential price weakness.

**SHIPPING**—Due to the arrested natural expansion of international trade, the freight market upon which the prosperity of shipping mainly depends is at a very low level, and 20% of the world's tonnage is laid up while many other vessels are kept running at a loss. Shipping under construction has fallen below a million tons for the first time in 50 years, while unfilled orders have dropped to only 20% of the work on hand at the beginning of the year.

### Conclusion

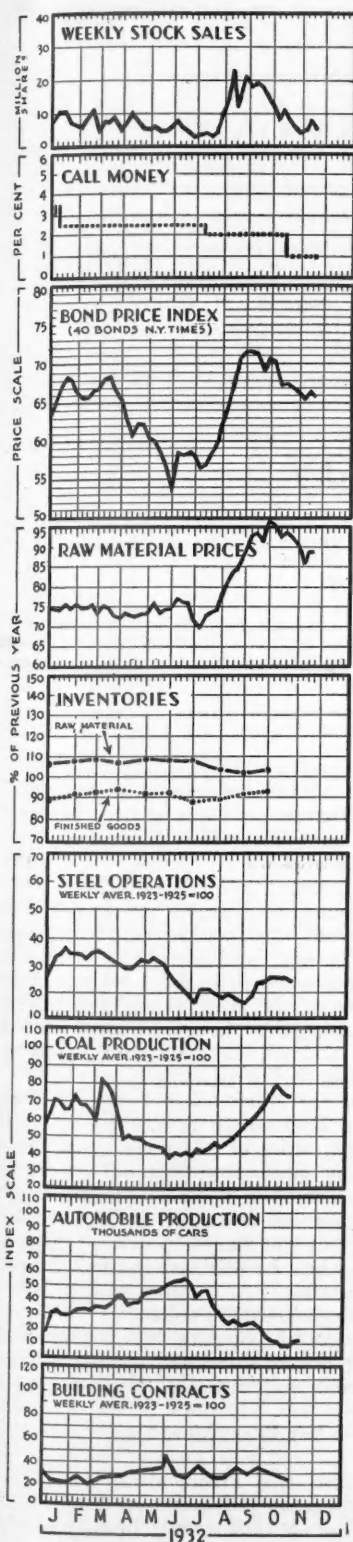
In view of the prevailing belief that, despite the approaching period of seasonal hesitation, the bottom of the depression was reached earlier in the year, it may be well to observe that this popular opinion seems to be confirmed by the four curves of our Barometer, which are placed on the chart in the order in which they

turn prior to a major change in business conditions. The Cost of Business Credit line, inverted, is always the first to give notice of a coming change. About six to eight months later comes a turning point in the New Orders graph, followed within a few months by a change in the trend of our Business Activity curve; while the Common Stock Index is the last of the four lines to recognize the reversal in outlook.



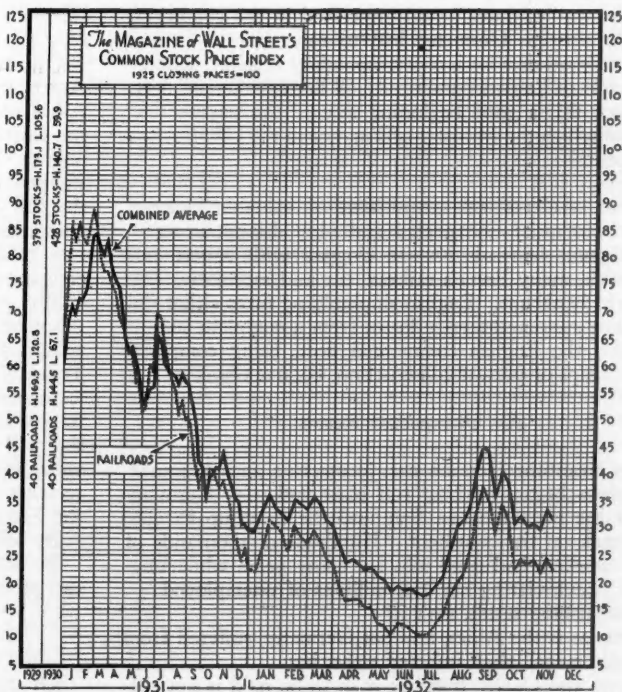
# The Magazine of Wall Street's Indicators

## Business Indexes



## Common Stock Price Index

1931 Indexes					1932 Indexes				
High	Low	Close	No. of Issues		High	Low	Nov. 5	Nov. 12	Nov. 18
84.4	29.2	30.0	345	COMBINED AVERAGE	45.0	17.5	29.7	28.8	31.3
142.4	33.0	34.8	4	Agricultural Implements	66.8	17.9	33.9	41.9	41.7
121.2	19.7	21.2	7	Amusements	59.3	11.4	36.4	36.8	33.3
76.9	26.9	26.9	31	Automobile Accessories	31.3	10.7	19.1	21.5	18.7
37.0	13.1	13.1	16	Automobiles	17.6	5.8	11.3	12.9	12.8
74.2	22.2	21.7	4	Aviation (1927 Cl.-100)	62.5	16.2	47.7	54.5	50.2
38.4	5.3	9.7	3	Baking (1926 Cl.-100)	18.1	4.8	7.3	7.9	6.6
212.2	112.5	112.5	2	Biscuit	120.9	64.1	93.8	106.9	97.2
106.2	45.1	49.5	5	Business Machines	33.8	26.0	34.1	31.0	36.3
185.5	96.5	99.3	2	Cans	119.0	51.0	90.0	99.9	96.3
157.8	76.2	81.6	7	Chemicals & Dyes	113.3	53.6	95.0	104.5	98.7
71.8	20.8	21.4	8	Coal	44.3	13.1	25.9	27.3	24.8
73.7	18.9	19.5	19	Construction & Bldg. Mat.	24.8	9.9	15.4	18.3	16.3
92.4	30.1	30.2	11	Copper	57.2	14.9	39.1	34.9	31.9
94.0	45.8	47.2	2	Dairy Products	57.5	23.3	34.4	37.4	35.9
30.2	9.6	10.1	9	Department Stores	16.3	4.5	9.0	10.6	9.8
120.4	53.0	53.1	8	Drug & Toilet Articles	74.3	35.1	52.3	54.6	52.3
149.3	44.7	44.9	5	Electric Apparatus	63.9	28.7	44.8	50.2	47.1
21.5	4.3	4.6	3	Fertilizers	10.2	2.2	5.2	6.4	6.3
91.2	40.8	41.7	2	Finance Companies	58.7	26.7	37.9	41.6	36.2
80.1	43.7	45.3	7	Food Brands	56.1	28.3	42.4	44.9	43.4
83.0	44.4	45.0	3	Food Stores	58.4	33.9	49.1	51.5	50.8
51.7	21.7	21.8	3	Furniture & Floor Covering	48.1	11.7	20.4	22.9	22.9
45.5	16.6	17.0	5	Household Equipment	21.1	9.6	13.3	14.6	13.9
89.5	17.1	19.1	10	Investment Trusts	31.5	9.5	21.7	26.5	24.0
96.3	26.1	26.1	3	Mail Orders	27.4	7.7	17.3	21.9	21.5
69.2	26.3	25.4	31	Petroleum & Natural Gas	42.4	21.6	32.9	36.5	34.6
68.8	12.7	13.0	4	Phones & Radio (1927-100)	22.5	6.2	11.5	14.4	11.9
196.8	77.0	78.1	20	Public Utilities	94.9	37.1	64.6	72.1	66.3
73.1	20.6	21.2	10	Railroad Equipment	37.3	12.0	21.1	24.1	21.6
88.4	22.5	26.5	30	Railroads	37.8	10.4	21.8	24.7	22.1
100.7	41.8	41.8	3	Restaurants	44.4	14.9	25.2	29.0	28.0
32.0	8.8	8.8	3	Shipping	14.3	4.1	8.7	7.7	7.5
183.4	62.0	62.0	2	Soft Drinks (1926 Cl.-100)	89.9	59.0	69.2	79.2	70.2
98.3	25.3	25.3	9	Steel & Iron	45.9	11.7	26.5	31.5	27.8
18.9	7.3	7.3	5	Sugar	12.4	3.8	6.2	9.2	8.2
212.0	84.2	89.5	2	Sulphur	121.6	53.6	107.7	123.5	117.6
132.4	44.5	44.5	3	Telephone & Telegraph	57.2	21.0	40.1	47.6	43.9
45.0	16.1	18.2	5	Textiles	52.2	16.3	32.4	36.4	35.4
18.6	4.4	4.9	5	Tires & Rubber	11.7	2.5	5.4	6.5	5.0
78.6	47.0	45.3	5	Tobacco	68.6	40.8	53.9	55.8	53.1
86.1	26.1	26.1	4	Traction	57.0	17.9	20.8	25.1	24.3
82.0	44.5	44.9	2	Variety Stores	50.9	23.3	35.6	42.6	37.1



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splits; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)



## READERS' FORUM



*The Readers' Forum belongs to the readers of THE MAGAZINE OF WALL STREET and is intended exclusively to serve them in the discussion of problems of general investment interest. This department welcomes and invites contributions from its readers without imposing rigid restrictions as to their choice of subject matter. Stories of personal experience with, or personal opinion upon, investment problems, are particularly appropriate since they often are of interest to many. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.*

# Shall the Allies Pay?

A Reader's Novel Suggestion  
For Meeting the Transfer Problem

By A. A. BOUBLIKOFF

Former Member of the Russian Duma

THE collection of international debts is far more complicated than the world realized in 1918. The first German "payment" was prescribed in the conditions of the Armistice. Germany had to surrender to France 150,000 railroad cars with a corresponding number of locomotives, and to England practically all her commercial fleet.

Was not this a good beginning toward the payment of 485 billion which the Minister of Finance in the Clemenceau cabinet promised to extract from Germany?

And yet . . .

The net result of this acquisition of valuable German property was quite unexpected and very disappointing.

The French railroads became clogged with superfluous rolling stock, many French railroad car and locomotive factories went bankrupt. English shipbuilding firms either did the same or sustained terrific losses from a complete lack of orders and the English commercial fleet, being composed mostly of ships of prewar construction, became obsolete.

### An Unexpected Result

In the meantime German car, locomotive and shipbuilding factories began working full blast and now Germany possesses the most modern fleet and the most up to date rolling stock on the continent. Hundreds of thousands of German workers had good jobs for many years while England was accumulating her 2¼ millions of unemployed.

An astonishing result, isn't it?

It seems as if the Allies, and not Germany, suffered from the "punishment" they inflicted upon her.

It shows also clearly that the wish to be paid is not sufficient to get gratifying results: one has to know how to get paid. Otherwise things may come to such a pass that one will gladly renounce one's claims and will free the

debtor from his obligations. Thus it seems as if the Allies are more pleased with the Lausanne renunciation than Germans, who apparently got a gift of many billions which they legally owed and were under obligation to pay.

Can anybody assert that no such fate is in store for the American claims in regard to the Allied indebtedness? The Allies had to renounce their claims and forgive Germany for this simple reason that they demanded to be paid in pounds and francs, etc., and Germany, when America stopped to lend her money, succeeded to demonstrate, to the full satisfaction of the Allies themselves, that she has no means of acquiring this "foreign exchange" and therefore is absolutely and physically unable to discharge her obligation to provide it for the Allies.

The position of the Allies towards America is exactly the same. Neither England nor France have any means of acquiring dollars in order to pay them to the American Treasury, at least no means acceptable and not detrimental to their creditor. Therefore, if America keeps asking them to pay in dollars she will face some day a situation when she will be told that this simply cannot be done, and—worse than that—when she will have to admit the full correctness of this assertion. As a matter of fact, how could the French and English acquire dollars?

By selling more goods? America doesn't want them.

By selling their private shares and bonds? The American investing public will certainly refuse to take them.

### Do We Want More Gold?

Of course, France—and France alone—could discharge her debts to America by ceding her stock of gold. The Bank of France has on hand a stock of gold and foreign (Please turn to page 185)

THE MAGAZINE OF WALL STREET



## Answers to Inquiries

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1. Give all necessary facts but be brief.
2. Confine your requests to three listed securities.
3. Write full name and address plainly, and enclose stamped, self-addressed envelope.
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

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### EASTMAN KODAK CO.

*I bought 100 shares of Eastman Kodak this year at 82, believing it to be a high grade investment stock. Today it is 51. Is this mainly due to the reduction in dividend rate from \$5 to \$3? Is there a possibility of this dividend rate being further reduced? Do you advise me to hold or would you recommend switching to some other company with better prospects?—H. K. M., San Francisco, Calif.*

Eastman Kodak Co. reports earnings but once a year, which considerably handicaps an accurate appraisal of current earnings. However, reports emanating from well informed sources indicate that full 1932 returns will closely approximate those of last year, when profits amounted to \$13,408,785 equal, after preferred dividends, to \$5.78 a share on the outstanding common stock. Such results would be better than originally anticipated, as reflected in the reduction of dividends on the common stock from \$5 a share per annum, to \$3 annually. The revision of 1932 estimates is attributable to the marked improvement registered by the company during the past three months. Reports of the company indicated that film requirements of motion picture producers had increased considerably during the more recent past. Furthermore, activity in the Kingsport, Tenn., acetate yarn plant has been stepped up to a full time basis as a result of the increased demand for rayon. Sales of cameras are still running at a level

substantially below that of a year ago, a trend that is quite natural, when consideration is given to the fact that the product must be regarded as largely a luxury. Recently, Eastman Kodak purchased the Nagel Works at Stuttgart, Germany, and is expected to import shortly to this country cameras made there. Eastman Kodak enjoys a virtual monopoly in its field, which factor, coupled with its almost impregnable financial position, augurs well for the longer term future. The common stock is suitable for inclusion in the average business man's portfolio, and we see little cause for disturbing your present position in the issue.

### CONTINENTAL CAN CO., INC.

*On advice of my broker I bought 100 shares of Continental Can Co. at 40 3/4. This company's dividend rate has been reduced since then, and now I learn a change in capital structure is contemplated. Will this tend to put the company in a stronger financial position, or is this a cause for investors to take alarm? Shall I take my loss, or do this company's prospects warrant holding for ultimate price appreciation?—M. M. K., Kansas City, Mo.*

Continental Can reported for the twelve months ended September 30, last, net income of \$4,470,850, equal to \$2.58 a share on 1,733,345 no par common shares. No direct comparison is available, but profits during the twelve months ended June 30, 1932,

amounted to \$4,401,899 or \$2.54 a share. Earnings for the calendar year of 1932 have been estimated in excess of those registered in the twelve months ended September 30, last, a factor that assures continuance of current reduced dividend rate of \$2 a share over the medium term, at least. In a bulletin accompanying the most recent earnings report the management stated that despite the fact that sales for the period were considerably below those of last year, the trend since the middle of last July has been upward. At a special meeting held November 22, last, stockholders approved a plan of capital reorganization whereby the no par capital shares of the company were changed to \$20 par value. Thus the capital value of the present outstanding stock has been established at \$34,666,900 against \$63,249,903 previously stated, the difference being transferred to capital surplus. Against this surplus was charged \$6,000,000 which was added to depreciation reserve of \$14,932,539 to bring the company's plants and machinery down to current net sound replacement values. A further charge against capital surplus of \$1,004,262 was made for adjustments of company's stock held in the treasury, as a result of the cancellation of stock subscriptions by employees, while \$560,210 was charged to capital surplus to provide for the reduction in

(Please turn to page 174)

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The Board of Directors have this day declared the regular quarterly dividend of 75c per share on the Convertible Preference Stock of this Company, payable December 1st, 1932, to stockholders of record November 17th, 1932. Transfer books will not close. Checks will be mailed.

JACK COHN, Treasurer.

November 4th, 1932.

To the President of a  
Dividend-Paying Corporation:—

Place The Magazine of Wall Street on the  
list of publications carrying your next dividend notice?

# New York Stock Exchange

## RAILS

A	1930		1931		1932		Last Sale 11/16/32	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Atchafalpa	242 1/2	163	202 1/2	79 1/2	94	17 1/2	42 1/2	8
Do Pfd.	108 1/2	100	108 1/2	75	86	35	63	8
Atlantic Coast Line	175 1/2	96 1/2	120	25	44	9 1/2	21	6
B								
Baltimore & Ohio	122 1/2	85 1/2	87 1/2	14	21 1/2	8 1/2	12 1/2	6
Brooklyn-Manhattan Transit	78 1/2	85 1/2	69 1/2	31 1/2	50 1/2	11 1/2	21	6
Do Pfd.	98 1/2	83	94 1/2	63	78 1/2	31 1/2	62	6
C								
Canadian Pacific	52 1/2	35 1/2	45 1/2	10 1/2	20 1/2	7 1/2	13 1/2	6
Chesapeake & Ohio	51 1/2	32 1/2	40 1/2	23 1/2	31 1/2	9 1/2	24 1/2	6
C. M. & St. Paul & Pacific	26 1/2	4 1/2	8 1/2	1 1/2	4 1/2	1 1/2	2	6
Do Pfd.	46 1/2	7 1/2	15 1/2	2 1/2	8	1 1/2	3 1/2	6
Chicago & Northwestern	69 1/2	28 1/2	45 1/2	8	14 1/2	2	6 1/2	6
Chicago, Rock Is. & Pacific	128 1/2	48 1/2	65 1/2	7 1/2	16 1/2	1 1/2	6	6
D								
Delaware & Hudson	181	130 1/2	127 1/2	64	92 1/2	22	60	6
Delaware, Lack. & Western	153	69 1/2	109	17 1/2	48 1/2	8 1/2	28 1/2	6
E								
Erie R. R.	63 1/2	22 1/2	29 1/2	5	11 1/2	2	16 1/2	6
Do 1st Pfd.	87 1/2	45 1/2	6 1/2	15 1/2	2 1/2	2 1/2	17 1/2	6
Do 2nd Pfd.	68 1/2	26	40 1/2	5	10 1/2	2	13 1/2	6
G								
Great Northern Preferred	102	51	69 1/2	15 1/2	25	5 1/2	11	6
H								
Hudson & Manhattan	53 1/2	34 1/2	44 1/2	26 1/2	30 1/2	8	116 1/2	6
I								
Illinois Central	136 1/2	65 1/2	89	9 1/2	24 1/2	4 1/2	14 1/2	6
Interborough Rapid Transit	39 1/2	20 1/2	34	4 1/2	14 1/2	2 1/2	4 1/2	6
K								
Kansas City Southern	85 1/2	34	45	6 1/2	16 1/2	2 1/2	17	6
L								
Lehigh Valley	84 1/2	40	61	8	29 1/2	5	13 1/2	6
Louisville & Nashville	138 1/2	84	111	20 1/2	38 1/2	7 1/2	21 1/2	6
M								
Mo., Kansas & Texas	66 1/2	14 1/2	26 1/2	3 1/2	13	1 1/2	6 1/2	6
Do Pfd.	108 1/2	60	85	10 1/2	24	3 1/2	15 1/2	6
Missouri Pacific	98 1/2	20 1/2	42 1/2	6 1/2	11	1 1/2	14 1/2	6
Do Pfd.	145 1/2	79	107	12	26	2 1/2	7 1/2	6
N								
New York Central	192 1/2	105 1/2	132 1/2	24 1/2	36 1/2	8 1/2	24	6
N. Y., Chic. & St. Louis	144	73	88	2 1/2	9 1/2	1 1/2	13	6
N. Y., N. H. & Hartford	128 1/2	87 1/2	94 1/2	17	31 1/2	6	14 1/2	6
Norfolk & Western	265	181 1/2	217	105 1/2	135	57	106	6
Northern Pacific	97	42 1/2	60 1/2	14 1/2	25 1/2	5 1/2	15	6
P								
Pennsylvania	86 1/2	53	64	16 1/2	23 1/2	6 1/2	14 1/2	6
R								
Reading	141 1/2	73	97 1/2	20	52 1/2	9 1/2	32 1/2	6
Do 1st Pfd.	80 1/2	44 1/2	46	28	33	15	25 1/2	6
S								
St. Louis-San Fran.	118 1/2	39 1/2	62 1/2	3	6 1/2	1 1/2	1 1/2	6
Southern Pacific	127	88	109 1/2	26 1/2	37 1/2	6 1/2	19 1/2	6
Southern Railway	136 1/2	46 1/2	65 1/2	6 1/2	18 1/2	2 1/2	7 1/2	6
Do Pfd.	101	70	63	10	23 1/2	3	9 1/2	6
T								
Union Pacific	242 1/2	166 1/2	205 1/2	70 1/2	94 1/2	27 1/2	70 1/2	6
W								
Western Maryland	36	10	19 1/2	5	11 1/2	1 1/2	6 1/2	6
Western Pacific	30 1/2	7 1/2	14 1/2	1 1/2	4 1/2	1 1/2	11 1/2	6
Do Pfd.	63 1/2	23	31 1/2	3	8 1/2	1 1/2	4	6

## INDUSTRIALS and MISCELLANEOUS

A	1930		1931		1932		Last Sale 11/16/32	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Adams Express	37 1/2	14 1/2	23 1/2	3 1/2	9 1/2	1 1/2	6	6
Air Reduction, Inc.	156 1/2	87 1/2	109 1/2	47 1/2	63 1/2	30 1/2	55	6
Allegheny Corp.	35 1/2	5 1/2	12 1/2	1 1/2	3 1/2	1 1/2	1 1/2	6
Allied Chemical & Dye	343	170 1/2	182 1/2	64	88 1/2	42 1/2	77 1/2	6
Allis Chalmers Mfg.	68	31 1/2	42 1/2	10 1/2	15 1/2	4	9 1/2	6
Amer. Brake Shoe & Fdy.	34 1/2	20	35	15 1/2	17 1/2	6 1/2	110 1/2	6
American Can	156 1/2	104 1/2	129 1/2	58 1/2	73 1/2	29 1/2	65 1/2	6
Amer. Car & Fdy.	82 1/2	24 1/2	35 1/2	4 1/2	17	3 1/2	8 1/2	6
Amer. & Foreign Power	101 1/2	25	51 1/2	6 1/2	15	2	7 1/2	6
American Ice	41 1/2	24 1/2	31 1/2	10 1/2	21 1/2	6 1/2	17 1/2	6
Amer. International Corp.	55 1/2	16	26	5	12	2 1/2	8	6
Amer. Mch. & Fdy.	45	29 1/2	43 1/2	16	22 1/2	7 1/2	18	6
Amer. Power & Light	119 1/2	86 1/2	64 1/2	11 1/2	17 1/2	3	8 1/2	6
Amer. Radiator & S. S.	39 1/2	15	21 1/2	5	12 1/2	3 1/2	7 1/2	6
Amer. Rolling Mill	100 1/2	28	37 1/2	7 1/2	18 1/2	3	15 1/2	6
Amer. Smelting & Refining	79 1/2	37 1/2	55 1/2	7 1/2	27 1/2	5 1/2	15 1/2	6
Amer. Steel Foundries	52 1/2	23 1/2	31 1/2	5	16 1/2	3	31	6
American Stores	85 1/2	36 1/2	46 1/2	8 1/2	16 1/2	3	7	6
Amer. Sugar Refining	69 1/2	39 1/2	60	34 1/2	29 1/2	13	26 1/2	6
Amer. Tel. & Tel.	274 1/2	170 1/2	201 1/2	112 1/2	137 1/2	70 1/2	107 1/2	6
Amer. Tobacco Com.	127	98 1/2	128 1/2	60 1/2	86 1/2	40 1/2	64 1/2	6
Amer. Water Works & Elec.	124 1/2	47 1/2	80 1/2	23 1/2	34 1/2	11	31	6
Anaconda Copper Mining	81 1/2	25	43 1/2	9 1/2	19 1/2	3	19 1/2	6
Assoc. Dry Goods	50 1/2	19	29 1/2	5 1/2	11	3	5 1/2	6
Atlantic Refining	51 1/2	16 1/2	28 1/2	8 1/2	21 1/2	5 1/2	16 1/2	6
Auburn Auto	263 1/2	60 1/2	203 1/2	84 1/2	151 1/2	28 1/2	44 1/2	6

# Price Range of Active Stocks

## INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale 11/16/32	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
<b>B</b>								
Baldwin Loco. Works.....	38	19%	27%	4%	12	2	6 1/2	..
Barnes Corp. Cl. A.....	34	8%	14%	4	7	3%	4%	..
Bendix Aviation.....	57%	14%	25%	12%	18%	4%	10%	..
Bent & Co.....	56 1/2	30%	46%	19%	24%	5%	12%	..
Bethlehem Steel Corp.....	110 1/2	47%	70%	17%	29%	7%	17%	..
Beth Aluminum.....	69	15%	43	15%	22 1/2	4%	12 1/2	..
Borden Company.....	90%	60%	76 1/2	35%	43%	20	25 1/2	2
Borg Warner.....	50 1/2	15	30%	9	14%	3%	9%	..
Briggs Mfg.....	25%	12%	22%	7%	11%	2%	5%	..
Burroughs Adding Mach.....	51%	18%	32%	10	13 1/2	6%	18%	40
Byers & Co. (A. M.).....	112%	33%	69%	10%	24%	7	16%	..
<b>C</b>								
California Packing.....	77 1/2	41%	53	8	19	4 1/2	10%	..
Canada Dry Ginger Ale.....	75%	30%	45	10%	15	6	10%	1.20
Casa J. L.....	363 1/2	83%	131 1/2	33%	65%	16%	42%	..
Caterpillar Tractor.....	79%	22	52%	10%	15	4%	8%	50
Corro de Pasco Copper.....	65%	21	30%	9%	15 1/2	3 1/2	17%	2
Chesapeake Corp.....	82 1/2	32%	54%	13%	20%	4%	15%	2
Childs Co.....	67%	22%	33%	5%	8	1 1/2	4	..
Chrysler Corp.....	43	14%	25%	11%	21	5	15%	1
Coca-Cola Co.....	191%	135%	170	97%	120	74%	80%	7
Colgate-Palmolive-Peet.....	64 1/2	44	50%	24	31 1/2	11	14	1
Colorado Fuel & Iron.....	77	18%	32 1/2	6%	14%	2%	16%	..
Columbia Carbon.....	109	63 1/2	111%	32	41%	13%	27 1/2	2
Colum. Gas & Elec.....	87	30%	48%	11%	21	4 1/2	13%	1
Commercial Credit.....	40%	18%	23%	8	28	11%	25	3
Commercial Solvents.....	38	14	21 1/2	6%	13%	3%	9%	60
Commonwealth & Southern.....	20%	7%	12	3	5 1/2	1%	8	4
Consolidated Gas of N. Y.....	196%	78%	109%	67 1/2	68%	31 1/2	68 1/2	..
Continental Baking Cl. A.....	52 1/2	16%	30	4 1/2	8	2%	4%	2
Continental Can. Inc.....	71%	43%	62%	30 1/2	41	17%	35 1/2	2
Continental Oil.....	30%	7%	12	5	9%	3%	6	3
Corn Products Refining.....	111%	65	86%	36%	55%	24%	52%	..
Crescent Steel of Amer.....	93%	60%	50%	20	29%	11	28	2 1/2
Cudahy Packing.....	128 1/2	85	100	20	31	7	112 1/2	..
Curtis Publishing.....	128 1/2	85	100	20	31	7	112 1/2	..
Curtis Wright, Common.....	14%	1%	5%	1	3%	2	..	..
<b>D</b>								
Davison Chemical.....	43%	10	23	3%	9%	1	4	..
Diamond Match.....	24%	10	23	10%	19%	12	18%	..
Domestic Stores.....	30%	12	24	11	18 1/2	11 1/2	15%	1 1/2
Drug, Inc.....	87%	57%	78%	42%	57	23	34%	4
Du Pont de Nemours.....	145%	80%	107	50%	59%	23	36%	2
<b>E</b>								
Eastman Kodak Co.....	255 1/2	142 1/2	185%	77	87%	35 1/2	54	3
Eaton Mfg.....	37 1/2	11%	21%	5%	9%	3	6 1/2	..
Electric Auto Lites.....	114%	33	74%	20	32%	8 1/2	18%	1.20
Elec. Power & Light.....	108%	34%	60%	9	16	2%	8	..
Elec. Storage Battery.....	79 1/2	47%	66	23	33%	12%	125	2
Endicott-Johnson Corp.....	59%	36%	45%	23%	37%	16	131 1/2	3
<b>F</b>								
Firestone Tire & Rubber.....	33%	15%	21 1/2	12%	18%	10%	18%	1
First National Stores.....	61%	33%	63	41	54%	35	50%	2 1/2
Foster Wheeler.....	104 1/2	37 1/2	64%	8	15%	3	9%	..
Fox Film Cl. A.....	87%	16%	38%	9 1/2	6%	1	8	..
Prosper Texas Co.....	55%	24%	43%	13%	28%	10	25%	2
<b>G</b>								
General Amer. Tank Car.....	111%	53%	73%	28	55%	9%	16%	1
General Asphalt.....	71%	22%	47	9%	15%	4%	8	..
General Electric.....	95%	41 1/2	54%	22%	26%	8%	16%	40
General Foods.....	61%	44%	56	28%	40%	19%	26	2
General Mills.....	59%	40%	50	29%	48%	28	42 1/2	3
General Motors Corp.....	54%	31%	48	21%	24%	7%	13%	1
General Railway Signal.....	106%	56	84%	21	28%	6 1/2	113%	1
General Refractories.....	98	18	37%	12	23%	1%	16	..
Gillette Safety Razor.....	106%	18	31%	9 1/2	24%	10%	17%	1
Gold Dust Corp.....	47%	29	42%	14%	20%	3 1/2	16	1.60
Goodrich Co. (B. F.).....	58%	15%	20%	3%	12%	2 1/2	6%	..
Goodyear Tire & Rubber.....	96%	35%	52%	13%	29%	5%	17	..
Granby Consol. Min., Smelt. & Fr.....	59%	12	22%	5%	11%	2%	15%	..
Grand Union.....	20%	10	18%	7	9%	3%	15%	..
Great Western Sugar.....	34%	7	11%	5%	12	3 1/2	16%	..
Gulf States Steel.....	80	15	37%	4	21%	2 1/2	12	..
<b>H</b>								
Hershey Chocolate.....	109	70	103%	68	85	43 1/2	155%	6
Houston Oil of Texas (New).....	116%	22%	14	3	5%	1%	8 1/2	..
Hudson Motor Car.....	62%	18	26	7%	11%	2%	8 1/2	..
Hupp Motor Car.....	26%	7%	13%	3%	5%	1 1/2	2%	..
<b>I</b>								
Inter. Business Machines.....	197%	131	179%	92	117	52%	92	6
Inter. Cement.....	75%	49%	62%	16	18%	3%	10	..
Inter. Harvester.....	115%	45%	60%	22%	34%	10%	22 1/2	1.20
Inter. Nickel.....	44%	12%	20%	7	12%	3%	8%	..
Inter. Tel. & Tel.....	77%	17%	38%	7%	18%	2%	9%	..
<b>J</b>								
Jewel Tea.....	66%	37	57%	24	35	15%	37	4%
John-Manville.....	148%	48%	80%	15%	33%	10	23%	..
<b>K</b>								
Kelvinator.....	86%	7%	18%	6	10%	2%	4%	..
Kennecott Copper.....	62%	20%	31%	9%	19%	4%	11%	..
Kroger (B. S.).....	36%	26%	29%	15	19	6%	11%	1
Kroger & Bell.....	36%	20%	27%	4%	8%	1/32	3%	..
Kupper Grocery & Baking.....	48%	17%	39%	18%	18%	10	16%	1
<b>L</b>								
Lambert Co.....	113	70%	37%	40%	56%	23	35%	5%
Lake & Fink.....	36	21	24%	16%	24%	6	17	2



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### THE DETROIT EDISON COMPANY

Dividend on Capital Stock

A quarterly dividend of One and one-half Per Cent. (\$1.50 per share) on the Capital Stock of the Company will be paid on January 16, 1933 to stockholders of record at the close of business on December 20, 1932.

ARTHUR D. SPENCER, Treasurer.

### THE ELECTRIC STORAGE BATTERY COMPANY

Allegheny Avenue and 19th Street  
Philadelphia, November 18, 1932.

The Directors have declared from the Accumulated Surplus of the Company a quarterly dividend of Fifty Cents per share on the Common Stock and the Preferred Stock, payable January 3, 1933, to stockholders of record of both of these classes of stock at the close of business on December 12, 1932. Checks will be mailed.

WALTER G. HENDERSON, Treasurer.

NOVEMBER 26, 1932

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### TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a distribution of 50 cents per share on the Company's 2,540,000 shares of capital stock without nominal or par value, payable on December 15, 1932, to stockholders of record at the close of business on December 1, 1932.

H. F. J. KNOBLOCH, Treasurer.

### UNDERWOOD ELLIOTT FISHER COMPANY

A dividend of \$1.75 a share on the Preferred stock and a dividend of 12½¢ a share on the Common stock of Underwood Elliott Fisher Company will be payable December 31, 1932, to stockholders of record at the close of business December 12, 1932. Transfer books will not be closed.

C. S. DUNCAN, Treasurer.

To the President of a  
Dividend-Paying Corporation:—

Place the Magazine of Wall Street on the list of publications carrying your next dividend notice!

# New York Stock Exchange Price Range of Active Stocks

## INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale 11/16/32	Div'd Per Share
L	High	Low	High	Low	High	Low		
Liggett & Myers Tob. B.	114½	78½	91½	40	67½	34½	58½	8
Liquid Carbonic	81½	39	55½	13½	22	9	15½	1
Loew's Inc.	95½	41½	68½	23½	37½	13½	26½	4
Loose-Wiles Biscuit	70½	40½	54½	29½	36½	16½	23	2
Lorillard	28½	8½	21½	10	18½	9	13½	1.50
M								
Mack Truck, Inc.	58½	33½	43½	12	23½	10	22½	1
Macy (R. H.)	159½	81½	106½	50	60½	17	36½	2
Marine Midland	32½	17½	24½	9½	14½	6½	9½	.80
Mathieson Alkali	51½	30½	31½	12	20½	9	15	1½
McKeesport Tin Plate	89½	61	103½	33½	62½	28	47½	4
Mont. Ward & Co.	49½	15½	29½	6½	16½	3½	18	..
N								
Nash Motor Co.	58½	21½	40½	15	19½	8	13½	1
National Biscuit	93	68½	83½	38½	46½	20½	39½	2.00
National Cash Register A.	58½	27½	39½	7½	18½	6½	9½	..
National Dairy Prod.	62	35	50½	20	31½	14½	19	2
National Power & Light	55½	30	44½	10½	20½	6½	13½	1
Nevada Consol. Copper	32½	9	14½	4½	10½	2½	6½	..
North Amer. Aviation	15½	4½	11	3½	8½	1½	4½	..
North American Co.	132½	57½	90½	26	43½	13½	29½	\$10½
O								
Ohio Oil	34½	16	19½	5½	11	5	7½	.50
Otis Elevator	80½	45½	53½	16½	22½	9	11½	1
Otis Steel	38½	9½	16½	3½	9½	1½	4½	..
P								
Pacific Gas & Electric	74½	40½	54½	29½	37	16½	27½	2
Packard Motor Car	23½	7½	11½	3½	8½	1½	2½	..
Paramount Public	77½	34½	50½	5½	11½	1½	3½	..
Penn. (J. C.)	80	27½	44½	26½	34½	13	23½	1.50
Phelps Dodge Corp.	44½	19½	25½	5½	11½	3½	6½	..
Phillips Petroleum	44½	11½	16½	4	8½	3	5½	..
Procter & Gamble	78½	52½	71½	36½	42½	19½	30½	2
Public Service of N. J.	123½	65	96½	49½	60	28	45½	2.00
Pullman, Inc.	89½	47	58½	15½	28	10½	18½	3
Pure Oil	27½	7½	13½	3½	6½	2½	4½	..
Purity Bakes	58½	36	55½	10½	15½	4½	8½	1
R								
Radio Corp. of America	69½	11½	27½	5½	13½	2½	7½	..
Radio-Keith-Orpheum	50	14½	4	2½	7½	1½	4½	..
Remington-Rand	46½	14½	19½	1½	7½	1	4½	..
Republic Steel	79½	10½	25½	4½	13½	1½	7½	..
Reynolds (R. J.) Tob. Co.	55½	40	54½	32½	40½	26½	29½	3
Royal Dutch	56½	36½	42½	18	23½	12½	19½	..
S								
Safeway Stores	122½	38½	60½	38½	59½	30½	49½	5
Sears, Roebuck & Co.	100½	43½	63½	30½	37½	9½	20½	..
Servel, Inc.	13½	3½	11½	3½	5½	1½	2½	..
Shell Union Oil	25½	5½	10½	2½	8½	2½	6½	..
Simmons Co.	94½	11	23½	6½	13½	2½	8½	..
Socomey-Vacuum Corp.			21	8½	12½	5½	8½	.50
So. Cal. Edison	72	40½	54½	25½	32½	15½	25½	2
Standard Brands	29½	14½	20½	10½	17½	8½	15½	1.50
Standard Gas & Elec. Co.	129½	53½	53½	25½	34½	7½	18	2
Standard Oil of Calif.	78	48½	73½	33½	37½	16½	28	..
Standard Oil of N. J.	84½	43½	52½	26	37½	19½	31½	*2
Stone & Webster	113½	37½	54½	9½	17½	4½	9½	..
Studebaker Corp.	47½	18½	26	9	13½	2½	5½	..
T								
Texas Corp.	60½	28½	36½	9½	18½	9½	14½	1
Texas Gulf Sulphur	67½	40½	55½	19½	26½	12	23½	2
Texas Pac. Land Tr.	32½	10	17½	4½	8½	2½	5½	..
Tide Water Assoc. Oil	17½	5½	9	3½	5½	2	4½	..
Timken Roller Bearing	59½	40½	59	16½	23	7½	15	1
U								
Underwood-Elliott-Fisher	138	49	75½	13½	24½	7½	16	.50
Union Carbide & Carbon	106½	52½	72	27½	36½	15½	25½	1.50
United Aircraft & Trans.	99	18½	38½	9½	34½	6½	26½	..
United Carbon	84	14½	28½	6½	18	6½	12	..
United Corp.	52	13½	31½	7½	14	3½	8½	.50
United Fruit	105	46½	67½	17½	32½	10½	23½	2
United Gas Imp.	49½	24½	37½	15½	22	9½	18½	1.50
U. S. Industrial Alcohol	139½	50½	77½	20½	36½	13½	28	..
U. S. Pipe & Fdy.	35½	18½	37½	10	18½	7½	11½	..
U. S. Realty	78½	45	56½	13½	21½	2	6½	..
U. S. Rubber	32	11	20½	3½	10½	1½	5½	..
U. S. Smelting, Ref. & Mining	36½	17½	25½	12½	22½	10	15½	..
U. S. Steel Corp.	194½	134½	152½	36	52½	21½	35½	..
Util. Power & Lt. A.	45½	19½	31	7½	10½	1½	4½	..
V								
Vanadium Corp.	143½	44½	76½	11	23½	5½	13½	..
W								
Warren Bros.	65½	26½	46½	9½	8½	1½	4½	..
Warner Brothers Pictures	80½	33	20½	2½	4½	1½	2	..
Western Union Tel.	210½	122½	150½	35½	50	12½	31½	..
Westinghouse Air Brake	52	31½	36½	11	18½	9½	13½	1
Westinghouse Elec. & Mfg.	201½	83½	107½	29½	43½	15½	28½	2.50
Woolworth Co. (F. W.)	70½	51½	72½	35	45½	22	37	..
Worthington Pump & Mach.	160	47	106½	15½	24	5	15½	..
Wrigley (W., Jr.)	51	65	80½	46	57	25½	36½	9

† Bid Price. ‡ Payable in stock. \* Including extras. ‡ Old stock.

## Labor—The Crucial Factor in Business Recovery

(Continued from page 138)

can industry be absorbed by wages within that range?

The 151 industries that pay less than the average annual wage employ 46.6 per cent of all the industrial workers. They produce 33.5 of the nation's manufactured products. They carry 34.5 per cent of the nation's manufacturing payroll. If these industries were to bring their average annual wage up to the general average wage as it stood in the census year it would, on the basis of the number then employed, add \$1,035,023,920 to the nation's wage total, to be spent for commodities made by those and other industries. How to get it? There are ways. One corporation in that list of sub-average wage-payers in 1930 reported over 19 million dollars in "net profit carried to surplus account." The value added by manufacture in those 151 industries is over 10 billion dollars per year.

Charts show that as unemployment has risen commodity prices have gone down and warehouse accretions have gone up. Cheapness appeals only to those who have some money. Those who have no money do not buy. But normally, in so-called prosperous times, there are enormous numbers who do not buy the commodities of 1932. They buy the commodities of 1860. There are no radios in turpentine camps and there are few of them in textile towns. It is hot in turpentine camps, but there are no electric or gas refrigerators and the only automobiles ever bought are those in the last stages of decay and decrepitude. The very first step in building up the great American market must be, logically, to put money in the pockets of the masses through a rearrangement of the whole relation between service and wages and between profits and wages.

The great bulk of American industrial business is handled by 445,409 corporations. These are dominated, in point of policy, by a much smaller number of men. It should not be impossible for so small a group to arrive at decisions regarding wage policies. As a matter of fact it has been proven not difficult. In short order there was very general agreement that wages should be reduced. And when it is understood that they were reduced from an average of \$1,308, while roughly 11,000,000 had no wages at all, it becomes clear that the wage earners of America have been driven down to standards of which neither this nor any other nation can speak with pride.

NOVEMBER 26, 1932

## Dividend Notice

Common Stock Quarterly Dividend No. 93 of 75 cents per share, payable November 15, 1932, to stockholders of record October 20, 1932.

\$6.00 Preferred Stock Quarterly Dividend No. 101 of \$1.50 per share, payable October 15, 1932, to stockholders of record September 30, 1932.

Dividends on the foregoing issues, as well as on all the outstanding Preferred issues of the subsidiary companies (whose common stocks are owned by Pacific Lighting Corporation) have been paid without interruption since the initial dividend.

## PACIFIC LIGHTING CORPORATION AND SUBSIDIARY COMPANIES

### Consolidated Statement of Revenues, Expenses and Cash Dividends for the Twelve Months Ended September 30

	1932	1931
GROSS REVENUE . . . . .	\$47,049,527.63	\$46,334,845.41
Deduct Operating Expenses and Taxes . . . . .	25,001,613.66	25,151,753.59
NET INCOME BEFORE BOND INTEREST . . . . .	22,047,913.97	21,183,091.82
Deduct Bond Interest . . . . .	5,468,620.75	5,652,604.72
NET INCOME AFTER BOND INTEREST . . . . .	16,579,293.22	15,530,487.10
Deduct		
Depreciation . . . . .	7,234,997.68	6,782,479.63
Amortization . . . . .	278,541.49	342,263.54
NET INCOME BEFORE DIVIDENDS ON PREFERRED STOCK OF SUBSIDIARIES . . . . .	9,065,754.05	8,405,743.93
Deduct		
Dividends on Preferred Stock of Subsidiaries . . . . .	1,862,838.79	1,954,993.99
Dividends on Minority Interest in Common Stock . . . . .	360.80	664.80
NET INCOME FOR PACIFIC LIGHTING CORPORATION . . . . .	7,202,554.46	6,450,085.14
Dividends on Preferred Stock . . . . .	903,293.40	840,725.67
Cash Dividends on Common Stock . . . . .	4,825,893.00	4,825,893.00
REMAINDER TO SURPLUS . . . . .	\$ 1,473,368.06	\$ 783,466.47
Per Share Balance Available for Dividends on Common Stock Equals . . . . .	\$3.92	\$3.49
Special Reserve (not included in above report of revenue) of amounts collected under certain rates in litigation . . . . .	\$1,486,223.97	\$ 996,712.84
PACIFIC LIGHTING CORPORATION, 433 CALIFORNIA ST., SAN FRANCISCO		

The issue today is employment, not wages. But wages, as they are and have been, are inseparable from unemployment, today and tomorrow. The vital thing today is to get men back into jobs. If that means an average 20-hour week, then let it mean that. If, perchance, it should mean no more than a 15-hour week, let it mean that. America at work even 15 hours a week, with every family having some earned money, would be a new America—an actually, basically and tremendously vital new America. It would, in short

order, take care of its employment problem, by so rapidly consuming America's output that wages would rise and the work-week grow to a reasonable length.

If the lessons of the past decade, the great age of mechanization, can be remembered in the new readjustment of wages, then America can go on to a sustained, continuous and expanding prosperity, the like of which we have never known. If that is not the case, then we shall climb once more to a peak of delusion, perhaps higher than

before, again to plunge into depths of misery, perhaps lower than we have known.

Today America, hard-hit as she is, is more comfortable than Europe, in paradise as compared to Asia. Unemployment reports from every European nation show unemployment growing while ours is at last decreasing. Wage rates of Europe are far below ours, poor as ours are. Currencies are inflated. Not that way lies the market. America has got to sell to America.

It is said by some that we are in a trap—no selling until there are men earning wages, no men earning wages until there is selling. If that statement contains some truth it contains only part of the truth. The truth is that the impoverished workman cannot break the circle. Manifestly, it must be broken, for proud America does not intend to stagnate forever. It becomes, then, the duty of the employers of America, the industries of America, to break the circle. It becomes their duty to hire men—to give men jobs.

The need of the hour is the straining of every nerve and resources to put men on payrolls. That is the first requisite for recovery. To say that it cannot be done is to say that this is the first time Americans ever admitted they were licked. Do they, then, make that admission?

How to put men on payrolls? We could have leaned against the fence in 1918 and asked how could we ever win the war. But we didn't. We did things of staggering magnitude. We made great mistakes. But we did something we had never done before. We did not admit defeat. We proclaimed victory from the starting gun. We had to win that war and we have to win this one. If it means spreading out the work, that can be done. Quite probably—almost surely—it means smaller unit profits. And there is nothing fatal about that. For recovery throughout America will create within America a new market of such volume potentiality as to stagger even those accustomed to the loftiest dreams. It is time to stop defeatism.

## Railroading in the Red

(Continued from page 151)

them out of their present difficulties than to continue to loan them money to pay unearned fixed charges. It is to be gravely doubted that President Hoover, during the less than four months remaining of his Administration, or that Congress, during the forthcoming short session, would assume the responsibility of government ownership of the railroads.

But what about the so-called "new

deal" for the railroads after March 4? By this is meant what may be done by the new President and new Congress to relieve and better their position. Right here the point should be stressed that whatever may be done to this end must not be limited to acts of the President, Congress or other governmental agencies under its supervision, but must include railroad directors and officials, stockholders and bondholders, and what they propose to do to help themselves.

President-elect Roosevelt, in a speech in Salt Lake City on September 17, dealt with the railroads at considerable length and outlined, in six points, his program for dealing with them. This program is by no means new in its entirety. The proposed overhauling of Federal laws affecting receiverships and relieving the I. C. C. from compelling competition between lines, where conditions do not seem to justify it, are the outstanding new features.

In that speech Mr. Roosevelt proposed "to stand back of the railroads for a specified period," provided that readjustment of "top-heavy" financial structures in individual cases be accepted if it proved necessary. This would indicate that he favors a continuation of loans to the railroads by the Reconstruction Finance Corporation, provided the capital structures are not "topheavy." Regulation by that body of competing motor carriers, the going forward with railroad consolidation and regulation by the I. C. C. of railroad holding companies are measures that have been before the Congress for some time. While railway executives hope for the enactment of some remedial legislation by the old Congress at the session beginning the first week of December, and for still more help after the new President and new Congress assume their duties, they have come to realize that in the meantime they must do still more to help themselves. To this end undesirable practices are being eliminated, more scientific and economical methods of operation are being put into effect, and there is a somewhat more general trend toward co-operation. Unfortunately, it is not as pronounced as might be desired.

While waiting for the President, Congress and other government bodies to help the railroads, owners of their bonds should continue to watch the trend of traffic and earnings. It should be repeated once again that they are much more vital than remedial legislation or anything that Washington can do. In the accompanying table, showing results of 44 roads, for the first eight months of this year, it is made clear that, on the basis of earnings alone, not a few well known carriers are in a dangerous position. Balti-

more & Ohio, for instance, earned only .14 times its fixed charges. Chicago & North Western .18, Rock Island .29, Pere Marquette .11, Southern Railway .15. These are some of the lowest figures where any earnings for fixed charges were shown. St. Paul, Great Northern, St. Louis Southwestern, as well as Wabash, which is in receivership, reported a deficit.

In considering purchases of railroad bonds, special attention should be given to the roads having the largest return for their fixed charges. Atchison, during the first eight months of this year, earned that obligation 1.21 times, Bangor & Aroostook 2.36, Chesapeake & Ohio 2.71, Long Island 2.18, Norfolk & Western 3.82 and Union Pacific 2.82. Boston & Maine 1.05, Burlington 1.00, Ontario & Western 1.50, Pennsylvania 1.08, Reading 1.24, and Western Maryland 1.04.

## The World Must Come Back to Gold

(Continued from page 146)

shame the Klondike and the Rand is not beyond the realm of plausible conjecture. Practically, it is virgin territory which they are exploring. The world may well await the event with impatience.

The gold measures of Australia are by no means exhausted.

Southern Rhodesia is another promising territory. Its Gold Belt has yielded \$340,000,000. Wars and plagues have retarded workings in this wilderness but vast reserves are almost certainly there.

South America may yet yield as much gold as the Spanish conquistadores wrested from the Incas and other peoples of the Continent. Brazil alone has produced \$100,000,000 in gold. The ancient Egyptian mines of the Red Sea Hills and the Blue Nile yet yield gold. Japan has produced \$120,000,000 and will produce more.

In all of these regions there are new developments.

There are 6,000 prospectors at work in Victoria, Australia and over \$1,000,000 will be shown for 1932. Western Australia and Queensland will bring the Australian yield for the year to \$12,000,000 or \$15,000,000. This has been Australia's biggest year of a rich history.

Canada is proving a continuously phenomenal producer with the prospects practically certain for a \$60,000,000 yield for 1932. The Rand continues to uphold its leadership and will show figures over \$60,000,000 for the full year.

Aside from the principal sources of gold there is in the world today the greatest gold hunt, engaging the efforts of more men, than in all previous history. Into the general store of the world gold is pouring from every quarter. Some of the streams are small but each adds to the aggregate on which the gold standard of currency is to rest. Rumania, for example, never has stood out as a gold producer but now is coming along with more than \$2,000,000 worth. Mines in Austria which have scarcely been worked since the Middle Ages, have been reopened. They are even scratching around again in County Wicklow in Ireland where gold once was found and still is believed to exist in hidden pockets, guarded by the leprechauns until the proper time for revelation comes. On the Mediterranean island of Cyprus prospecting has been going on in a search for the mines whence it is believed the ancients won much of their gold.

Unemployed men all over the world have turned to the ground in search of gold, finding in Nature the work which organized industry has, of late, been unable to supply.

With wages down, mining machinery cheaper and all the grubstake costs, whether for individual or company, much lower than they have been for years it has become possible to go over old workings which had been abandoned as unprofitable. As in the case of no other product, gold won is always net. No matter if it is produced at an immediate loss, all gold brought to assay is a profit to the world's gold standard. Indestructible and chiefly useful as a monetary support, every ounce is a permanent asset, unlike almost any other produce of the earth. Used up by one man, it still is useful to another. Moralists delight to flee at gold as being a hollow fetish of no real use to anyone. The fact is that it is almost the only thing that is of use to everyone.

Sound currencies must be built on gold foundations. No substitute has been found. Other media of standardization have been proposed but each has revealed astounding frailties. Every other standard proposed has necessarily been in terms of gold and has meant merely the temporising stop-gap of bi-metallism because it has been necessary to set up each lieu standard on some basis in relation to gold. This is because there is no other basis. This is because gold makes its own price. It is its own price and all other substances must be worth so much more or less per unit than a unit of gold.

The incidence of gold is wayward and no such attempts are made to forecast mining or survey reserves as in respect of, for instance, coal. It is

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recognized that lodes and veins are tricky and run out sometimes when least expected to and that the sands of Pactolus and pockets are not calculable. For that reason unusual conservatism is exercised by geologists in future measurements. For that reason the estimates of the International Geological Congress may be regarded as conservative and the assurance given a minimum assurance.

In 1913 the gold reserves of the principal nations of the world stood at \$4,856,000,000. The latest figures for the latter part of 1932 showed these countries to hold \$11,670,000,000. In the years between, the greatest war in history had been fought and the greatest advance made in industrialization, the greatest increase in agricultural production. While, in the period, countries went off and on the gold standard almost like people going through a revolving door, the point of greatest moment is that they were forever seeking to return. Every point an off-standard currency depreciated from its par marked a yearning back to gold. The tide seems now to be set strongly in that direction. Great Britain makes no secret of her intention to return at the earliest possible moment which will mean that all the nations which have linked their currencies to sterling will return, too. Although the gold standard has been suspended in England it is significant to note that the Bank of England today has three times as much gold as she had just before she entered the World War. And the Reichsbank has two thirds of what she had in the year before she set out to conquer the world. With few exceptions every country is in a better gold position than before the war.

Measuring from the beginning of 1929, it is found that since that time the countries of the world have increased their gold holdings from \$10,057,000,000 to \$11,670,000,000—a gain of more than a billion and a half in the worst depression of modern history.

Nothing in experience indicates that the gold standard is impracticable.

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A great hotel in a great city  
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**MORRISON HOTEL**  
Madison and Clark Sts., CHICAGO

## International Petroleum Company, Limited

### Notice of Dividend No. 35

NOTICE is hereby given that a dividend of 25c United States Currency per share has been declared, and that the same will be payable on or after the 15th day of December, 1932, in respect to the shares specified in any Bearer Share Warrants of the Company of the 1929 issue upon presentation and delivery of coupons No. 35 at the

City Bank Farmers Trust Company  
22 William St., New York, N. Y.

The payment to Shareholders of record at the close of business on the 30th day of November, 1932, and whose shares are represented by registered Certificates of the 1929 issue, will be made by cheque, mailed from the offices of the Company on the 14th day of December, 1932.

The transfer books will be closed from the 1st day of December to 15th day of December, 1932. Inclusive, and no Bearer Share Warrants will be "split" during that period.

By order of the Board,

J. R. CLARKE,  
Secretary.

56 Church Street, Toronto 2, Canada,  
15th November, 1932.

War may have been shown to be impracticable but nothing other than the gold standard has been shown to be practicable for monetary uses. It took many centuries to erect this standard and each time it seems to be strongly assailed, some such fling of fortune as these tremendous new gold accretions conjures it back again for the use of a world which needs simplicity.

## For Profit and Income

(Continued from page 162)

cation. Rockefeller Foundation has no need to worry over its losses in the Middle West Utilities bonds, because it has \$190,000,000 worth of other securities, most of which are sound.

Incidentally, for the benefit of those readers who are still holding the bonds of the Middle West Utilities Co. it may be said that the noteholders committee now are expressing an attitude of conservative optimism in regard to these issues. They estimate that the notes will have a break-up value of \$230 per \$1,000 note as a minimum, which is considerably higher than earlier estimates of around \$150 a note. At the best, the break-up value of the notes in liquidation will possibly reach \$380 a note. In view of the prospects, it would appear foolish for those who have held the bonds so far to dispose of them at current prices.

## Detroit Edison Co.

(Continued from page 153)

there being a marked pick-up in automobile manufacturing over the next year or two?

Obviously the present low output cannot long continue. The rate at which cars are wearing out and being scrapped exceeds the current output by

a considerable margin. A deferred demand is accumulating that needs but real indication of better times for its release. On the other hand, recovery for the motor industry has very definite limitations. With the market saturated so far as new buyers of new cars are concerned, it must in all probability adjust itself very largely to a replacement market which, while sizable in normal times, can hardly reach the optimistic proportions visualized by some of those within the industry.

Certainly this is true if the industry is to be restricted in its foreign business—its greatest potential outlet. And here, tariffs and other obstacles so interfere that even the comparatively small domestic replacement market is likely to overshadow it for many years to come. It appears then, that while the Detroit district and consequently the Detroit Edison Co. can expect something from the automobile over the near future, they can hardly hope that it will be as big a source of prosperity as it was in 1929, for example.

On the other hand, Detroit is already becoming a very important center for miscellaneous manufacturing. It has equipment, skilled labor and excellent transportation facilities. The airplane industry has logically drifted there. As they are developed, other new industries of this nature will probably go there also. Of course, the question of taxes and municipal benevolence must be ironed out to the satisfaction of capitalists before the city can derive the greatest benefit from its many advantages. But these difficulties are not insuperable, and when Detroit is less noted for its automobiles and more for a long array of miscellaneous products, the city will indeed have achieved a firm foundation.

As for the Detroit Edison Co., which has such a stake in this development, the company can afford to be patient. For a public utility it is more than ordinarily strong financially and, owing to its sound capital structure, the effects of the depression have reacted upon stock, rather than upon bonds with a consequent impairment of credit standing. Unfortunately for the prospective investor, however, despite the fact that the company's common stock has declined in price quite drastically, it persists in discounting at least some betterment. The current quotation is around \$80 a share. For a company, which could hardly pay a \$4 annual dividend rate with any real degree of comfort under existing conditions, this is not particularly cheap. But on any reasonable recession in price, or at the present price if industrial conditions in Detroit took any real turn for the better, the issue is well deserving of consideration.

## Answers to Inquiries

(Continued from page 167)

subscription price of the stock allotted to employees. All of the foregoing represent, in effect, purely changes in accounting policies. By establishing the \$20 par value for the stock, a saving in the present rate of taxes on transfers of the stock is accomplished. We maintain a moderately favorable attitude toward Continental Can and feel that the shares merit favorable consideration for long pull holding.

## INTERNATIONAL TELEPHONE & TELEGRAPH CORP.

*In checking my investment portfolio, my broker advised me to hold its 200 shares of Int'l. Tel. and Tel. as offering potential profit possibilities. In view of world-wide business and political unrest and this company's large foreign investments what are its near term prospects? What stand is it taking with respect to funded debts and in reducing operating expenses? Do you recommend my selling or holding this stock?—A. J. G., Philadelphia, Pa.*

The semi-annual report of International Telephone & Telegraph, covering the first six months of the current year, by itself, reflects nothing more than the vicissitudes of the current depression. On the other hand, when a careful study is made of the various items, and compared with corresponding accounts of the first six months of 1931, one cannot help but realize the progress made by the management in offsetting declining gross revenues by a proportionate reduction in operating expenses. As a matter of fact, because of the management's keen eye for economies, the company probably will report fixed charges fully earned at the year-end. For the six months ended June 30, last, income from operations amounted to \$5,552,092 against interest charges of \$5,806,764, resulting in a loss after such charges of only \$254,672. For the first six months of last year, operating income amounted to \$10,374,690 and net profits after charges of \$5,440,294, equal to 82 cents a share on the common capital stock. Had it not been for the fact that expense reductions kept close pace with the declining trend of gross income, the loss for the first six months of the current year would have been considerably more. Notable improvement has been registered by its domestic telegraph subsidiary, namely, Postal Telegraph & Cable System, during the more recent past, although a deficit for the full year doubtless will be registered by that unit. The manufacturing and

(Please turn to page 179)

## UNION CARBIDE AND CARBON CORPORATION



A cash dividend of Thirty Cents (30c) per share on the outstanding capital stock of this Corporation has been declared, payable January 2, 1933, to stockholders of record at the close of business December 2, 1932.

WILLIAM M. BEARD, Treasurer

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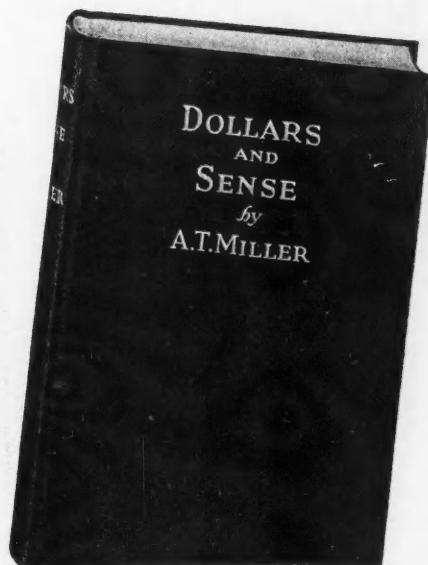
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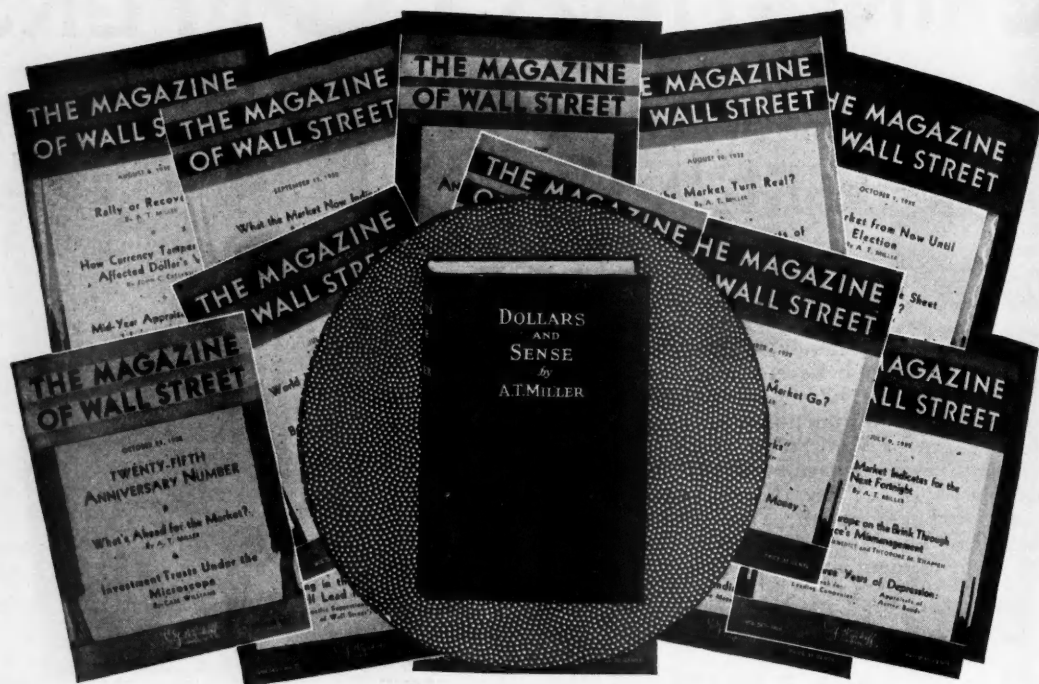
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(Continued from page 174)

operating telephone subsidiaries are believed to be running on a sufficiently profitable basis to enable the parent concern to cover full 1932 fixed charges. Progress has been made during the current year in reducing bank loans, which at present approximate \$41,500,000 against \$44,217,772 as of January 1, last. Notes payable last August were extended to next February. When consideration is given to the strong banking affiliations of the company, it is believed likely that existing loans will be extended from time to time pending an opportune time to fund such debts through the issuance of long term bonds. It is therefore apparent that International Telephone & Telegraph is in no immediate danger of financial embarrassment. Furthermore, the position of the company is such that general business recovery, not only in this country, but abroad, will be immediately reflected in profits expansion. Admittedly, the common stock must be relegated to the category of a speculation, but on the basis that you have maintained your position through what appears to be the worst of the situation, further retention of your holdings is advocated.

#### FIRST NATIONAL STORES, INC.

During 1929 and 1930 I accumulated 300 shares of First National Stores at prices from 61 to 84, in the belief that this company is excellently managed, and well-situated, financially and competitively. Please advise me on this company's near-and-long-term prospects. Do you recommend my averaging at present prices, or on recessions?—H. S. S., Detroit, Mich.

First National Stores continues to report sales volume comparing favorably with that of other concerns in the grocery chain store business. Concentration of activity in a thickly settled section of the country has enabled the management to keep a close check on inventories and to develop an efficient system of distribution. Although dollar sales have been running slightly below those of last year, these sales are being remarkably well sustained in the face of continued commodity price weakness and adverse business conditions generally. Thus the basic nature of the food business is amply demonstrated. It is indicated by a recent report that retail grocery prices are showing a firming tendency, the company having increased 57 prices during the month of September, last, while only 51 prices showed a decline. Per share earnings reached an all time peak of \$5.52 for the fiscal year ended March 31, 1932, as against \$5.06 earned in the previous year. It was not until the first quarter of the present fiscal year that a falling off in net appeared. Per share earnings for the

quarter ended July 2, last, amounted to \$1.30 on the 811,000 shares of common stock after preferred dividends, comparing with \$1.41 earned in the June quarter of last year. The current position of the company continued to reflect strength, current assets as of July 2 last, amounting to \$14,310,026 as against current liabilities of \$4,672,646. Undoubtedly the company's policy of gradually retiring bonds and preferred stock will be continued, thus strengthening the position of the common stock. While many chain store concerns are feeling the effects of burdensome leases signed during periods of high rentals First National is but little affected since its rentals are based upon a percentage of sales, the average being about 2%; leases run for short periods, with the privilege of repeated renewals. In view of the company's able management, its strong financial position and ability to sustain earnings under present adverse conditions, we regard the common stock as an attractive purchase on any recession from current levels.

#### ALLIED CHEMICAL & DYE CORP.

What is your opinion of Allied Chem. & Dye Corp. stock? I have 100 shares bought in 1931 at 127½. I want to know if present dividends can be maintained despite failure to earn them. Shall I sell now, at a loss, on the possibility that a dividend reduction will bring a market recession in price?—H. D. O., Dayton, Ohio.

Earnings of Allied Chemical & Dye have been adversely affected by unsatisfactory demand for heavy chemicals. While there has been no recent statement of earnings—due to the management's policy of reporting only once a year—it has been unofficially estimated that profits during the first six months of 1932 were between \$2.20 and \$2.40 a share on the 2,401,288 shares of common stock outstanding. Full year earnings will probably be in the neighborhood of \$4.50 a common share compared with actual earnings reported last year of \$6.74 a share. While earnings have continued a downward course since 1929, recently there has been a noticeable step-up in operations. This has come about as a result of increased activity in the textile and rayon industries which are large consumers of dyes, alkalies, caustic soda and various bleaching chemicals. The Barrett division, which produces "Tarvia" for road building, moreover, is more active, largely in reflection of government (Federal and state) appropriations for emergency highway work. The big nitrogen plant at Hopewell, Virginia currently operating at about 50% of capacity should expand upon any upturn in foreign trade and agricultural conditions. While

admittedly, earnings of Allied Chemical will undoubtedly fall somewhat short of full dividend requirements, the company's exceedingly strong current position, of which cash and government securities alone totaled more than \$40,000,000 at the end of 1931, should enable directors to continue the present rate should the outlook warrant the belief that recent increased activity will continue. Recently the price of chlorine was reduced from \$1.75 a hundred pounds to \$1.55 as a result of an effort on the part of producers to stimulate future orders. It is not believed, however, that this represents the forerunner of general price cutting in the other alkalies. It is our opinion that current quotations for the stock, discount to a large degree any uncertainties as to the continuance of the present dividend rate. Consequently we are inclined to counsel retention of your present holdings in view of the favorable longer term outlook for the company and its dominant position in the chemical industry.

#### Among the First to Benefit from Improvement in Merchandising

(Continued from page 155)

and the application of Macy methods to it have naturally involved a considerable expenditure in time and money. This adjustment, however, has made great progress and its benefits can be expected to show up decisively in any period of normal retail trade. Similarly, the physical expansion of the main Macy store has been costly.

These expenditures, however, have been made chiefly out of current earnings and surplus resources, involving no long-term debt. They account for a considerable temporary shrinkage in available cash and for an increase in bank loans, according to the balance sheet of January 30, 1932, from \$2,500,000 to \$4,000,000. In relation to the magnitude of the company's business, this may be considered a very moderate floating debt.

To protect its position, Macy reduced its cash dividend from \$3 to \$2 and applied various internal savings, including a wage cut of some \$1,700,000 a year. It has also now eliminated the 5% annual stock dividend paid in recent years. While no interim report is issued, it is estimated that the company will earn profits approximating \$2.25 a share on its common stock this year, against \$3.63 in the preceding year. As suggested by past results, "normal" earning power might be considered as somewhere between \$5 and

\$7 per share, although, of course, substantial business revival would be required to make such earnings possible.

The 1,437,672 shares of Macy common are preceded only by approximately \$6,500,000 of mortgage debt and by \$9,754,000 of Bamberger preferred stock. This capitalization would permit a rapid recovery of earnings available for the common shares under improving business conditions. Considering the \$2 dividend and the fact that it appears to be covered by only a small margin, the market's current appraisal of the stock at \$38 per share evidently rests to a substantial extent on future possibilities. Those possibilities appear sufficiently attractive to warrant investment accumulation of the shares in any periods of market recession during coming weeks.

### Speculative Possibilities Among Investment Trusts

(Continued from page 158)

lated, but these were closed out to a very large extent in the spring rise of 1930.

Having noted that securities of investment trusts of the general management type, being in disfavor with the public, had fallen more drastically than securities, as a whole, it was decided that the company's funds could be used to the best advantage in this field, and for the past two years Atlas has been in the market for investment trusts that could be purchased at a price less than the actual market value of the underlying securities. The general policy adopted was to dispose of the securities held by the investment trusts acquired with a consequent return of the cash outlay plus the additional cash profit, thus placing the company in a position to repeat the operation with other trusts. That this was a well thought out program and very efficiently put into operation, is indicated by the fact that the break-up value of Atlas stock of the close of 1930 was greater than at the close of 1929, and at the close of 1931, was greater than at the close of 1930. In other words, asset value per share actually increased during a period in which the majority of investment trusts found the value of their assets cut in half or worse.

By taking advantage of an unusual situation in the investment trust field, Atlas has done very well for itself, showing the evidence of clever management. Of course, the opportunity to conduct its business along this particular line is not likely to continue, and Atlas will be obliged to adopt new policies in the future. How successful it

will be, time alone can tell. As will be noted in the accompanying balance sheet, cash holdings are very large and should the financial skies clear sufficiently to warrant important accumulation of securities, Atlas could take advantage of the situation.

Due to the fact that the exchange of Atlas Corp. stock for the stocks of other investment trusts is still going on, the management does not care to give out the break-up value of its common stock at the present time, but when these various situations are cleared up, it is their intention to give this data to stockholders. The only information in regard to the break-up value is given in a circular of June 4, which stated that as of April 30, 1932, there was an indicated asset value of approximately \$7.30 per share for the approximately 3,900,000 shares of the common stock that would be outstanding if all the holders of capital stock outstanding on that date of all the companies in which Atlas is interested should accept the offer to exchange their stock.

Atlas Corp. common has an active market on the New York Curb and is currently selling around 7. The \$3 preferred A stock sells around 35. Dividends on this issue have been regularly paid since insurance. The common does not pay any dividend.

### United Corporation

United Corp. confines its holdings to the stocks of public utility companies as shown in the accompanying table. At present levels of around 9, it will be noted that the common stock is selling at about its break-up value. The preferred stock, however, appears out of line with the substantial equities behind it, and earning power of nearly twice the preferred dividend requirements. At 35, the preferred returns 8.6%.

### Bond Market Resists Decline

(Continued from page 147)

of funded indebtedness. Meanwhile, continued investment avoidance of all second-grade rail bonds appears advisable.

In the market for municipal bonds interest centers on forthcoming issues of "relief" bonds recently authorized by the voters in various states, including a \$30,000,000 issue for the State of New York. Due to policies of retrenchment in municipal government throughout the country, the supply of high grade municipals this year has been none too plentiful. Accordingly, the best of the new issue now in prospect will undoubtedly meet an excellent demand.

### International Nickel Co. of Canada

(Continued from page 161)

the period, so that even though the company is paying an unearned preferred dividend its cash income is larger than its cash outgo.

In view of the current lack of earning power and taking into consideration the not overbright outlook for metals in general, the common stock of the International Nickel Co. of Canada must be considered decidedly speculative. The company, however, has slashed expenses severely and its efforts towards popularizing nickel and its alloys materially brightens the longer term outlook.

### American Smelting & Refining Co.

Price Range — 1932

High	Low	Recent
27 1/4	5 1/4	16

Div. — Yield —

Latest earnings per share (6 mos. to 6/30/32)	Def.
Net quick assets per share (6/30/32)	\$28.50

WHILE the American Smelting & Refining Co. is often grouped under "coppers," the heading is a somewhat misleading one. True, the company does mine copper. But it also mines gold, silver, lead and other metals and its chief business has long been the smelting of metals for others. Plants are scattered all over the world and not the least interesting feature of the American Smelting & Refining Co. in recent years has been the company's broadening interests. At the present time, it is proposing to acquire the business and assets of Federated Metals Corp., the largest buyer and smelter of non-ferrous scrap metals in the United States. The plants of the last named company are located in Newark, Trenton, Pittsburgh, Detroit, Chicago, St. Louis, Whiting and San Francisco and have a capacity of about 300,000,000 pounds of metal annually. These plants will not duplicate the American Smelting & Refining Co.'s own plants.

The present depression has reacted upon the business of the American Smelting & Refining Co. through the greatly reduced demand for metals of all sorts and the greatly reduced prices which the majority of them now com-

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	High	Low			High	Low	
Alum. Co. of Amer. ....	90	22	52%	General Fireproof .....	7 1/2	2 1/2	3 1/2
Amer. Cit. F. & L. B. ....	8 1/2	1	4%	Goldman Sachs T. ....	5	1	3 1/2
Amer. Cit. F. & L. A. (3) ..	39 1/2	16 1/2	29	Gl. A. & P. Tea N. Y. (6 1/2) ..	169	103 1/2	150
Amer. Cyanamid B. ....	8 1/2	1 1/2	4%	Gulf Oil of Pa. ....	44 1/2	23	30 1/2
Amer. Founders .....	2 1/2	1/4	1%	Hires (C. E.) A (2) ..	21	17 1/2	17 1/2
Amer. Gas & Elec. (1) ..	41 1/2	14 1/2	27	Hudson Bay M. & S. ....	5	3/4	3 1/2
Amer. Lt. & Traction (2 1/2) ..	24 1/2	10	17 1/2	Hygrade Food Prod. ....	4 1/2	1 1/2	2 1/2
Amer. Superpower .....	10 1/2	1 1/2	4%	Nat. Fuel Gas (1) ..	14 1/2	8	12 1/2
Assoc. Gas Elec. "A" ..	5 1/2	1	2%	Nat. F. & L. Pfd. (6) ..	80 1/2	35	68
Brasil T. L. & P. ....	13 1/2	7	8%	Newmont Mining .....	23 1/2	4 1/2	14
Buffalo, N. & E. P. Pfd. (1.60)	23 1/2	15 1/2	21 1/2	N. J. Zinc (2) ..	38 1/2	14 1/2	31 1/2
Cities Service .....	6 1/2	1 1/2	3%	Niagara Hudson Pwr. (New)			
Cities Service Pfd. ....	53 1/2	10	13	(1.50) ..	20	7 1/2	15 1/2
Clove. El. Illum. (1.60) ..	35	19	31	Pennroad Corp. ....	4 1/2	1	1 1/2
Commonwealth & So. War. ....	1	3/16	1/4	St. Regis Paper .....	3 1/2	1 1/2	3 1/2
Consol. Gas Balt. (3.60) ..	69 1/2	37 1/2	63	Salt Creek Prod. (1) ..	5 1/2	2 1/2	4 1/2
Cord Corp. ....	8 1/2	2	4 1/2	Smith (A. O.) ..	59	11	23 1/2
Deere & Co. ....	18 1/2	3 1/2	9%	Southwest Penn. P. L. (4) ..	37	27	31
Duke Power (5) ..	73 1/2	31	52	Standard Oil of Ind. (1) ..	25 1/2	13 1/2	23
Elec. Bond & Share (6% stk.)	48	5	22 1/2	Standard Oil of Ky. (1.20) ..	15 1/2	8 1/2	12
Elec. Shareholding .....	8 1/2	1 1/2	4	Swift & Co. ....	18 1/2	7	8 1/2
Elec. Fr. Assoc. (.60) ..	9	2 1/2	8 1/2	Swift Int'l (4) ..	28	10	17 1/2
Federated Metals .....	17 1/2	4	17	United Founders .....	3 1/2	5/16	1 1/2
Ford Motor, Ltd. ....	6 1/2	2 1/2	3%	United Gas Corp. ....	4 1/2	1 1/2	2
				United Lt. & Pow. A. ....	9 1/2	1 1/2	4 1/2

mand. Inventory depreciation has been particularly severe. For the six months ended June 30, last, the company showed a net loss of \$3,442,047 after taxes, interest, depreciation, depletion, and a revaluation of excess metal stocks of \$3,112,501. An additional appropriation of \$1,981,500 for metal stock reserve was charged to surplus. At the end of the period the company was in a strong financial position, current and miscellaneous assets amounting to \$61,945,029, against current and miscellaneous liabilities of \$9,791,132. Nothing was owed to banks and cash and government securities totaled \$17,388,272.

Owing to the exceedingly depressed conditions prevailing in most sections of the American Smelting & Refining Co.'s business, the common stock must be considered speculative at the present time. It does, however, represent an equity in a giant, diverse business which can hardly fail to recover ultimately an excellent measure of earning power.

## Market Approaches Buying Level

Continued from page 135)

the sharpest autumn gains, definite recession is under way, while the automobile industry, laggard heretofore, is showing increased activity due to preparation of 1933 models. These developments in the main are the normal expectations of the season and thus far are evidently regarded with indifference by the market.

In previous issues we have repeatedly emphasized the importance of a considerable list of major problems confronting this country. These include the large Federal deficit, excessive governmental spending and borrowing, revision of Federal taxation, needed rehabilitation of the railroads and of the banking structure, the thorny legacy of war debts and the related tariff puzzle.

It need hardly be said that these difficulties have not disappeared—but if the economic road were clear of all obstacles security prices would not be at present levels. Such progress as we make will be in spite of these obstructions. They will slow the journey. One or another of them may from time to time force us to take a few backward steps.

But what stands out on the side of hope as we put the third year of depression behind us is a much improved prospect as to the character of the efforts we will now make to solve our problems. Fortitude has replaced fear. We are gradually giving up vain hopes of finding magical short-cuts to prosperity. There is growing evidence of a realistic public willingness to look the facts in the face.

It is this psychological change which offers real promise of a sounder approach to the task of economic rehabilitation. In this favorable setting one political party has come into complete control of the Federal Government—a control so complete that the strongest and best party forces have the clearest-cut opportunity for effective political leadership that has been seen at Washington in many generations. Bearing in mind the endless political bickering and opportunism which have ham-

# A TIMELY MESSAGE

—Concerning a Vital Change in the  
"Character" of the Stock Market!

By the A. W. Wetsel Advisory Service

THE stage is being set for a change in the "character" of the stock market. Instead of general price changes in which practically all stocks move up or down together—unusual movements will be shown by individual issues. Technically speaking, the market will emerge from the present period of transition and be characterized by greater selectivity.

What does this mean to investors and traders?

Many already recognize that in such a phase it will not be enough to know the good stocks, for stocks will then strongly reflect their own individual technical positions. Thus, among various stocks all equally sound statistically and of equal fundamental value, some will be laggards as to market price, while others will be star performers.

## The Question

The question is "HOW to determine which stocks will show the greatest progress marketwise?"

The correct answer is vital to the solution of today's outstanding problems: (1) the safeguarding against further shrinkage of capital, (2) the increasing of income, and (3) the making of definite progress in reconstructing depleted invested funds.

## Recent History Reveals the Answer

To find the answer it is well to review recent investment history. During the past three years discerning investors have realized more and more that a knowledge of WHEN to buy and when to SELL is overwhelmingly more important than the mere knowledge of which securities are fundamentally sound.

They have learned that NO security is good enough to hold for the so-called "Long Pull"—and the very fact that any one entertains such an idea is proof of a misconception of the true principles of investing.

And above all, they have learned that with the guidance of sound technical analysis by which short and intermediary moves are forecast with practical accuracy, no one need unduly fear downward movements or rely too much on sustained general upward trends for profit or rehabilitation.

This they have learned in a three-year bear market distinguished by six important upward movements and during which the majority of stocks moved together.

Up to this time we have continuously pointed out that even in the early stages of recovery from extreme depression practically all stocks move together—they not only move up together—but they react down together. NO ONE KNOWS WHICH stocks will advance the most during such a period. As a matter of fact, second or third rate stocks are likely to move to a greater extent than the best stocks—at least percentage-wise—during such a phase. This was demonstrated in the July 8-September 9 rally.

Now here is the point—in markets wherein

practically all stocks move together the vital question is WHEN to buy or sell—and which stock to buy is of secondary importance. We have abundantly illustrated and proved that statistics and economics of the academic type offer no help in solving this question.

## The Superiority of Technical Analysis

Witness the abject failure of devotees of this school of thought to call the turn of July 9, 1932—as contrasted with the accuracy of the Wetsel method. Or, make it even more personal, just WHAT figures or facts concerning earnings, balance sheets, car-loadings, gold movements or what not that were available last June would have enabled you to foresee the sensational rise of July? Again witness the failure of economists to tell the nature of the reaction from September 9. Many mistook it for a down turn which was to mark the resumption of the three-year bear trend.

Wetsel factors enabled us to advise clients that the downward movement was a reaction and the approximate limits to which it would descend were indicated.

## Wetsel Advice in 1929 and 1932

This advice corresponded to the advice of Mr. A. W. Wetsel in 1929 when, after the first drastic break, the market advanced sharply—and this advance was mistaken by the majority as a resumption of the UPWARD TREND which had lasted for four years. Mr. Wetsel informed his clients then in no uncertain terms that the movement was a temporary rally and designated the levels it would attain. This gave many people a chance to get out of the market at better prices—just as his latest advice enabled them to get in.

On Thursday, November 3, we again advised purchases on a broad scale to take advantage of the post-election rise—which occurred.

Now—so far—the important knowledge for three years that resulted in safeguarding capital and capitalizing the market's short and intermediary swings has been the knowledge of WHEN to buy or sell. Knowledge or information concerning WHAT securities to BUY was of no practical value to anybody unless accompanied by advice as to the correct TIME to sell. And this knowledge of WHEN to buy and sell was only accurate and valuable when based on technical analysis and

The A. W. Wetsel Advisory Service, Inc., is an organization founded to give investors an absolutely disinterested and independent investment management service. It has no securities for sale, nor any connection with any other organization whatever. It accepts no orders to buy securities on commission or otherwise. In short, its interests are identical with those of its clients—to safeguard capital and foster its growth through able management.

on such forecasting factors as have been developed and are used by this organization.

Now we are facing a Vital Change.

After this change occurs, a knowledge of WHICH stocks to buy is going to assume an important rôle—as it does in every selective market. Today you have stocks, the prices of which have shrunk, and others where the prices, though low, are merely compressed. The latter type will be the star performers—the first type will prove to be the laggards.

## Methods That Will Reveal WHICH Stocks to Buy

And AGAIN statistical analysis will NOT reveal the stocks which will move most actively any more than such analysis was of value in judging when to buy and when to sell during the period when all stocks moved with the general market.

AGAIN, technical analysis will prove superior, not only in indicating WHEN to buy and sell, but in disclosing WHICH stocks to buy—in helping you avoid the laggards and choosing the most active issues.

## Why Correct Action Is Vital

The time to set your financial house in order so as to benefit most completely from the "selective" market now in process of formation is—NOW.

Why not learn for yourself the danger of the half truths and fallacies which fill the average investor's mind and handicap his performance—and also learn how to acquire the comforting certainty of the success in investing that is made possible by the application of sound principles? It is easy to do so.

## How to Protect Capital and Produce Definite Progress

An illuminating article has been written by a member of the staff of the A. W. Wetsel organization which fearlessly exposes the half truths about investing and searchingly analyzes the methods that make for true conservatism and progress. You may have a copy of this interesting article by filling in and mailing the blank below or writing to

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Chrysler Building, New York

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Chrysler Building, New York

MW-9

You may send me without obligation, analytical article "How to Protect Your Capital and Accelerate Its Growth—Through Trading."

Name .....

Address .....

NOVEMBER 26, 1932

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## Keep Posted

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department Magazine of Wall Street, 90 Broad Street, New York, N. Y.

### "ODD LOT TRADING"

John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225).

### WHEN TO BUY AND WHEN TO SELL

The Investment and Business Forecast, a security advisory service, conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. (783).

### "TRADING METHODS"

This handbook, issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request (785).

### PARTIAL PAYMENT PLAN

An old established New York Stock Exchange house is issuing a booklet describing a method by which listed securities may be purchased on monthly installments in odd lots or full lots. (813).

### INVESTMENT PROFIT INSURANCE

The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

### "SOME FINANCIAL FACTS"

An interesting booklet issued upon request by the Bell Telephone Securities Co. (875).

### "A CHAIN OF SERVICE"

Describes and illustrates the history and development of the Associated Gas & Electric System. (884).

### ELECTRIC BOND & SHARE CO.

Full information or reports on companies identified with Electric Bond & Share Co. furnished upon request. (898).

### "STOCK EXCHANGE SERVICE FOR THE SMALL INVESTOR"

This booklet, published by M. C. Bouvier & Co., will be sent upon request. (908).

### PACIFIC LIGHTING CORPORATION

This corporation has just completed a booklet describing the history, financial and operating policies of its organization which will be sent upon request. (911).

### STONE & WEBSTER 1888-1932

A brief history of this organization and the services it has developed during the past 44 years for bankers, industrial executives, public utility men and investors. (928).

### AN OASIS IN THE DESERT

Is the title of a descriptive booklet just issued by the Credit Service Associates, copy of which will be mailed upon request. (935).

### "HOW TO PROTECT YOUR CAPITAL AND ACCELERATE ITS GROWTH—THROUGH TRADING"

Is the title of an interesting article by E. B. Harmon of A. W. Wetsel Advisory Service, which will be sent to investors on request. (936).

### MARGIN REQUIREMENTS, COMMISSION CHARGES

Springs & Co. have prepared a folder explaining margin requirements, commission charges and trading units. Copies gladly sent to investors and traders. (939).

### "12 REASONS WHY"

Circular describing speculative possibilities of Jetter Brewing Co. being distributed by Harris, Ayers & Co. and will be sent upon request. (943).

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MARKET  
FORECAST**

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# Bank, Insurance and Investment Trust Stocks

## Quotations as of Recent Date

### BANK AND TRUST COMPANIES

	Bid	Asked
Bank of N. Y. & Trust Co. (14) ..	315	335
Bankers (3) ..	67 1/4	69 1/4
Brooklyn (10) ..	168	183
Central Hanover (7) ..	137	141
Chase (2) ..	35 1/2	37 1/2
Chemical (1.80) ..	35 1/2	37 1/2
City (2) ..	45	47
Corn Exchange (4) ..	71	74
Empire (1.60) ..	25 1/2	27 1/2
First National (100) ..	1590	1640
Guaranty (20) ..	310	315
Irving Trust (1.60) ..	24 1/2	26 1/2
Manhattan Co. (2) ..	31	33
Manufacturers (3) ..	27 1/2	29 1/2
New York (5) ..	94 1/2	97 1/2
Public (2) ..	28 1/2	30 1/2
United States Trust (70) ..	1470	1570

### INSURANCE COMPANIES

Aetna Fire (2) ..	29	31
Aetna Life ..	14 1/2	16 1/2
Carolina ..	11 1/4	13 1/4
Continental (1.80) ..	15	15 1/2
Glens Falls (1.60) ..	28	28
Globe & Rutgers ..	95	115
Great American (1) ..	14 1/2	16
Hanover F. (1.60) ..	23 1/2	25 1/2
Hartford Fire (2) ..	36 1/2	38 1/2
Home (1) ..	15	16 1/2
National Fire (2) ..	35	38
North River (63) ..	10 1/2	12 1/2
Stuyvesant ..	7	11

### INSURANCE COMPANIES—(Continued)

	Bid	Asked
Travelers (22) ..	350	365
United States Fire (1.20) ..	17 1/4	19 1/4
Westchester F. (.25) ..	14	15

### SURETY AND MORTGAGE COMPANIES

Bond & Mtg. (2) ..	16 1/2	19 1/2
Lawyers Mortgage (.80) ..	6 1/2	8 1/2
National Surety ..	9 1/4	10

### JOINT STOCK LAND BANKS

Chicago ..	1	3
Dallas ..	5	7
Des Moines ..		2
First Carolina ..	1 1/2	
Lincoln ..	1	2
Southern Minnesota ..		
Virginia ..	1/2	

### INVESTMENT TRUST SHARES

Amer. Founders Trust 6% Pfd. ..	12	17
Do 7% Pfd. ..	12	17
Diversified Trustees Shares A ..	7	
Do Series B ..	5 1/2	
Fixed Trust Shares A ..	6 1/2	
Interl. Sec. Corp. of Amer. Pfd. ..	8	14
Do Cum. Pfd. ..	8	14
No. Amer. Trust Shares ..	1.51	
Second Intl. Securities A ..	1	2
Do 6% Pfd. ..	15	25
U. S. & British Internl. Pfd. ..	5	10
Uslaps Voting Shares ..	8 1/2	9 1/2

pered and confused the processes of Federal Government in recent years, this is a more favorable factor than is generally realized.

## How a Billion Can Be Cut from the Budget

(Continued from page 141)

be scattered over several departments and many bureaus and agencies?

Why should there be a mob of commissions charged with international affairs when we have a perfectly good State Department?

Why should we have a multitude of consuls attending to foreign trade in the State Department and a flock of commercial commissioners, commercial attaches, etc., covering much the same ground in the Department of Commerce? Why should there be some 75 executive agencies outside of the ten general departments of the government? Why cannot some bureaus and sections of bureaus be altogether suspended during the period of financial stringency? It is estimated that 50 to 100 million dollars can be saved in this reorganization field.

4. These budget computations assume that there will be no special appropriation for emergency relief construction next year. But if bitter ne-

cessity so orders, why not strip 50 millions off public roads construction (in the Department of Agriculture) and another 50 millions off the non-military public construction (rivers, harbors, canals and flood control) conducted by the Army Engineer Corps? Then cut 105 millions from ordinary building and miscellaneous public construction.

And there's the thousand million. Found at terrible cost in public and personal hardship. Granted. But life is often worth horrible amputations.

While we are about it, while the axe is keen, we might go on and excise the whole 240 million dollars of Federal aid to the states—roads, education, etc. Politics forbids. But we may have to come to it. This Federal aid operates to make Congressional profligacy a bounty for state extravagance. "For every dollar you spend" Uncle Sam says to the states, "I'll spend another."

Congress can reduce annual expenditures a billion dollars a year. Will it? If it does not approximate that sum, taxes will be heavier next year than this. If it does not now in these hard times return to something like the old economy and simplicity of national government, there is no hope that it ever will. We will then be forever committed to higher and higher spending and approach nearer and nearer to perpetual governmental insolvency and the exhaustion of private economy by the voracity of public costs.

## Readers' Forum

(Continued from page 166)

exchange equal to 88½ billion francs. Even after deducting 22½ billion which the Bank owes to private depositors (mostly foreign) there remains 66 billion francs or more than 2½ billion dollars which belong to the Bank outright and could be transferred to America.

Yet who would permit such a transaction? Certainly not America, because it would leave her with 6 billion worth of gold which has lost all monetary significance and has been transformed into a mere commodity for which there is no market and which consequently has no practical value whatever. In fact the shipment of French gold to America would mean the whole world would go off the gold standard and gold would no more be the basis for international trade nor for the issue of internal currency in any other country than the United States. Can America agree to possess such a costly white elephant as a 6 billion dollar stock of gold not needed by anybody in the world? Yet if this be the fact that payment in gold is unacceptable to America, then where is the means of paying her in dollars?

However, this does not contradict the fact that France, even with her 5 billion francs budgetary deficit, is a very prosperous country (even her prewar national wealth was estimated at 300 billion gold francs and now she is much richer) and is perfectly capable of paying such debt as she owes to America, just as Germany, with 330 billion marks of prewar wealth was certainly perfectly able to discharge in 58 years a debt of 10 billion dollars she owed to the Allies. Who would believe that a private person with a 330,000 capital cannot pay off a debt of 40,000?

The entire difficulty is evidently in the method and in the medium of payment and not in the payment itself. Should France, for instance, have been willing to accept the payment in the form of a participation in the ownership of German industry—by transferring to her, let us say, 50% of all German shares—and Germany could not possibly pretend that she is unable to "pay." She most certainly could deliver the shares.

Similar situations arise in private life almost every day. Let us suppose, for instance, that a debtor has no cash but has certain real estate holdings, burdened with first mortgages to the limit, but still greatly exceeding in value the

note which is pending. Let us suppose further, that—as this is exactly the fact at present—there is no real estate market and no second mortgage money is available. Evidently even a foreclosure and a sale may not bring enough cash to satisfy the creditor. Is it true that under such circumstances the debtor can give a satisfaction to the creditor? Of course he can. He may very well offer the creditor to become co-owner in his property and in this way "pay off" his debt to the full satisfaction of the latter.

In exactly the same way America can very well receive from the Allies every cent they owe her, provided she renounces her claims to be paid in American "cash" and agrees to receive payment in local money.

This local money would be put in the hands of a holding company (to be created for this purpose) and this company would acquire with it local, state and private securities and also obligations of different other countries, issued in this money. Thus the portfolio of the holding company would consist of highly diversified first class securities of maybe all countries of the world. Against those holdings as collateral the company would issue from time to time dollar bonds on the American market and turn over the proceeds of such borrowing operations to the United States Treasury. Thus the vexing "transfer problem" would be eliminated, the United States Treasury would receive the dollars it needs and America as a nation would not be loaded with dollars she cannot absorb, being a universal creditor and therefore in need of investing her capital surpluses and not of collecting them.

On the other hand the American investing public would most certainly gladly acquire such foreign bonds because their default is out of question; the holding company's portfolio would be increasing every year and any defaulted issue would be replaced by some other newly acquired.

Now the question arises if the Allies would be willing to accept such a solution of the debt question. Their mind is set on complete and unconditional cancellation or a reduction to some ridiculously low figure. Presently 100% of them are for non-payment to America. This mental attitude will be somewhat changed in case America would come forward with the proposal to receive the payments due her in local moneys. Thus the great investing public will be only too glad that there will be a constant buyer of all locally traded securities who will keep the "Bourse" and the London Exchange in a constantly bullish disposition. The international bankers will welcome the possibility of negotiating foreign loans with an eye to sell



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CHARLES E. ROCHESTER, Gen'l Manager

them to the American holding company.

The French and English industrialists will be happy to see foreign borrowing resumed on a big scale because it would mean that the borrowing countries will have to place orders with the local industry, in order to utilize the sums borrowed. Moreover, being obliged to place large sums at the disposal of the Holding Company and thus divert them—though indirectly—into productive channels, the Governments would have less money to squander on armaments.

Of course the taxpayer would have to carry the load, but the unanimous opposition to the payment to America would be broken and the voice of the taxpayer would be drowned amidst the vociferous and grandiloquent assertions that the country's honor demands the payment in full.

Here is a practical solution of the whole debt problem. Should, on the contrary, America stubbornly demand the continuation of payments in American cash, cancellation will become absolutely unavoidable with, in addition, an accusation that America is trying to "bleed" Europe.

It remains with America to decide if the Allies shall pay or repudiate the obligations which it is humanly impossible to discharge in the way prescribed by the debt agreements.

# Interpreting Financial Notices

This feature serves investors in clarifying various legal notices associated with important corporate changes. Notices concerning reorganizations and security holders protective committees especially, will be discussed in order to interpret legal phraseology and afford some background which will aid the security holder in deciding on his individual course.

## Baltimore & Ohio Refunding Plan

The Reconstruction Finance Corporation has agreed to loan the Baltimore & Ohio R. R. Co. \$31,625,000 in order to supply it with the necessary funds to pay in cash on or before the maturity date March 1st, 1933, 50% of the principal amount of \$63,250,000 4½% bonds. It is provided, however, that this loan will only be made if substantially all the holders of the 4½% bonds agree to accept 50% in cash and new bonds for the remaining half of their holdings.

As a special inducement to stimulate the bondholders' acceptance, the railroad company will pay in cash 10% of the principal to bondholders who present their bonds for stamping on or after November 22, 1932, and prior to December 22, 1932. Should a sufficiently large number of the bonds be deposited in acceptance of the offer by the middle of next January, the railroad will forward to the assenting bondholders the remaining 40% of the principal in cash immediately, which means that with the fulfillment of this condition, the bondholder would enjoy the use of the cash payment a month and a half before the maturity date.

Assenting bondholders for the remaining 50% of their principal will receive a like face amount of refunding and general mortgage 5% bonds Series

F due March 1, 1936, which it will be noted, gives ½% greater annual return than in the case of the old bonds.

Under the present law, the power of the R. F. C. to make loans expires on January 21, 1933, the President having the power to extend this period not exceeding one year. Accordingly, unless such time is extended, the plan will have to be abandoned if it cannot be consummated before January 21, 1933.

Bondholders who decide to accept this plan should present their bonds promptly to the office of the company at 120 Broadway, New York City, to be stamped.

By accepting this offer, bondholders receive 50% of their principal amount in cash and the remaining 50% in bonds bearing a higher interest rate and which rank equally with the bonds they are now holding. Bondholders not accepting the plan would be taking the position of demanding full cash payment at maturity. If any substantial amount of the bonds hold out for full cash payment, the R. F. C. in such case would not loan the road the \$31,625,000 it now proposes to do.

Baltimore & Ohio 4½% of 1933 are a direct first lien on only 36 miles of road and are subject to \$280,000,000 of prior liens. In 1931, fixed charges were earned 1.13 times, but for 1932

indications are that the road will fail to cover fixed charges by several millions. Under these circumstances, private loans or public financing to take care of the March 1st maturity are out of the question and failure to meet the terms of the R. F. C. loan would apparently make receivership inevitable.

## As I See It

(Continued from page 133)

as world banker and investor. However, she, like every other country, has lost tremendous revenue as a result of the depression. Her difficulties in establishing and maintaining sufficient credits abroad in view of the weakness of the pound and the flight of private capital which has undoubtedly taken place, presents a bleak financial picture to the world. But before passing hasty judgment on the basis of these factors it will be well to remember what happened in the case of France which experienced much the same conditions before she successfully stabilized the franc at 20 per cent of its former value. Soon thereafter she was transformed. From a poverty stricken nation she has become the wealthiest in Europe. It behooves us, therefore, to proceed with caution and to give ourselves sufficient time to examine and appraise the situation deliberately. We should not permit ourselves to be stamped into action.

At the moment the universal demand for national self-containment, the economic alignment of the nations and the world-wide reluctance to abandon excessive expenditures for armaments all combine to so befuddle the whole debt question that the consideration of revision seems most inappropriate and distinctly to the disadvantage of this country.

Moreover although business conditions are at an exceedingly low ebb there is some basis for hope of moderate and gradual recovery from this point. Capital will not much longer remain stagnant either here or abroad and as extreme caution is replaced by confidence in improvement, it will seek employment. Under such circumstances it seems only common sense that we should defer immediate and drastic action in the settlement of reparations, not only as regards the immediate payments but perhaps for a period of several years in order that a gradual approach to more normal conditions will bring into the open the real facts upon which a decision either for revision or cancellation can be made. Unless we do that we are going to add to our burdens and gain nothing.

## MARKET STATISTICS

	N. Y. Times		Dow, Jones Avgs.		N. Y. Times		Sales
	40 Bonds	30 Indus.	20 R-ils	High	Low	50 Stocks	
Monday, October 24	66.69	61.03	27.53	55.81	54.55	551,571	
Tuesday, October 25	66.38	60.32	27.12	55.88	54.47	604,350	
Wednesday, October 26	65.95	61.36	27.64	56.00	53.61	580,950	
Thursday, October 27	66.30	61.86	27.86	57.22	55.45	716,802	
Friday, October 28	66.55	63.09	28.67	57.83	56.46	686,639	
Saturday, October 29	66.38	62.09	28.22	58.03	56.49	359,820	
Monday, October 31	65.98	61.90	28.01	56.59	55.61	384,760	
Tuesday, November 1	65.78	60.22	26.88	55.92	54.36	522,435	
Wednesday, November 2	65.35	58.53	25.33	55.24	52.34	1,100,990	
Thursday, November 3	65.00	58.28	24.70	53.28	51.70	1,020,250	
Friday, November 4	65.28	61.53	26.45	55.71	53.30	969,225	
Saturday, November 5	65.39	62.41	26.91	56.22	55.23	463,010	
Monday, November 7	65.65	64.58	28.04	56.67	56.47	1,610,050	
Tuesday, November 8							
Wednesday, November 9	65.46	61.67	28.34	58.75	55.36	1,266,360	
Thursday, November 10	65.87	65.54	28.93	59.25	55.79	1,587,410	
Friday, November 11	66.55	68.03	30.58	61.62	59.37	2,631,980	
Saturday, November 12	66.68	68.04	30.61	62.12	60.70	888,752	
Monday, November 14	66.41	65.57	29.31	61.33	59.10	1,307,145	
Tuesday, November 15	66.34	65.36	29.39	60.11	58.17	1,048,380	
Wednesday, November 16	66.20	63.24	28.26	59.48	57.38	946,635	
Thursday, November 17	66.10	62.99	27.79	58.17	56.77	700,240	
Friday, November 18	66.03	62.96	27.41	58.77	57.11	729,290	
Saturday, November 19	65.93	64.14	27.87	58.38	57.12	355,555	

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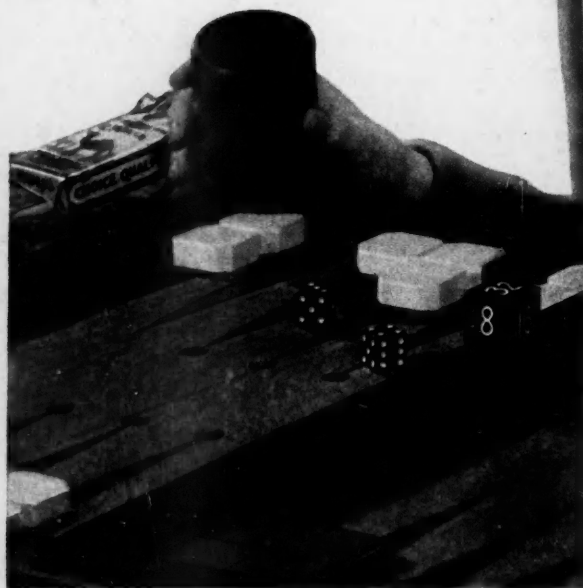
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